

RAISING THE NUCLEAR ANTE

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India's Atomic Tests Revive Old Fears

2 Phone Giants Reunite Amid Wave of U.S. Deals

High Stock Prices Finance a Takeover Spree

By Mitchell Martin
International Herald Tribune

NEW YORK — In a deal that would reunite a large part of the former Bell System, SBC Communications Inc. said Monday it would buy Ameritech Corp. for about \$65 billion. It was the second-biggest takeover in history and one of a spate of Wall Street deals announced Monday that featured companies using their own shares as currency.

The offer by SBC, formerly Southwestern Bell, for Ameritech was the most contentious of the announcements as well as the biggest, trailing only the pending takeover of Citicorp by Travelers Group Inc. among all acquisitions. If it clears regulatory hurdles, it will reduce the number of regional Bell operating companies to four from the original seven. The combined company would form the largest U.S. local phone-service provider and be represented in 19 countries outside the United States.

The deal was among more than \$80 billion of takeovers being financed

with stock rather than cash, indicating that the acquiring companies think their shares are highly valued. Yet investors showed little fear that the market was reaching a top, and stock prices rose. The Dow Jones industrial average closed 36.37 points higher at 9,091.52.

Other acquisitions announced Monday included:

- Jefferson Smurfit Corp.'s \$6.5 billion bid for Stone Container Corp., which would form the world's largest paper-packaging company.

- Baker Hughes Inc.'s \$6.16 billion offer for Western Atlas Inc., an effort to create an oil-field services company that could help drillers at all stages of production. Western Atlas, spun off by Litton Industries Inc. four years ago, would add exploration capabilities to Baker Hughes' products for existing energy projects.

- Monsanto Co.'s planned \$4.3 billion takeovers of two seed companies, Dekalb Genetics Co., of which it already owns 40 percent, and Delta & Pine Land Co. The \$2.5 billion, equal to \$100 a share, that Monsanto is planning to pay for Dekalb represents the only cash deal among the deals announced Monday. The purchases would enhance Monsanto's presence in the market for genetically enhanced seeds.

It also was widely reported that Seagram Co., owner of the MCA Inc. music and movie company, was close to an agreement to buy PolyGram NV, the Dutch entertainment company controlled by Philips Electronics NV. PolyGram's stock rose about 5 percent Monday, giving it a market value

of \$11.6 billion.

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Prime Minister Atal Behari Vajpayee announcing the tests Monday.

Show of Strategic Strength Meant to Silence Doubters

By Kenneth J. Cooper
Washington Post Service

NEW DELHI — India on Monday conducted three underground nuclear tests, the nation's first since 1974, escalating a strategic arms race with its regional arch-rival Pakistan and exposing India to possible U.S. sanctions under a nonproliferation treaty.

A coalition government led by Hindu nationalists made the show of strategic strength a month after Pakistan successfully tested a ballistic missile capable of striking India's major cities and a week after Defense Minister George Fernandes identified another neighbor, China, as the principal military threat to India.

Since the end of the Cold War, many U.S. analysts have described the Indian subcontinent as the world's likeliest nuclear flashpoint because of enduring tensions between predominantly Hindu India and the Islamic republic of Pakistan. Both nations have nuclear capabilities, although Pakistan has never exploded a nuclear device.

After Prime Minister Atal Behari Vajpayee announced the tests in a brief statement that did not explain why they had been conducted, his top aide indicated that the simultaneous explo-

sions 530 kilometers (330 miles) southwest of New Delhi near the Pakistani border had been intended to remove any doubt about India's capacity to build nuclear weapons.

Previously, India has said its nuclear program was for peaceful purposes and spoke only of keeping open the option to make strategic weapons if they were needed to assure national security.

"These tests have established that India has a proven capability for a weaponized nuclear program," said Brajesh Mishra, a Vajpayee aide. "They also provide a valuable database which is useful in the design of nuclear weapons of different yields for different applications and for different delivery systems."

The announcement of India's tests brought condemnation from the United States and from Pakistan.

"Pakistan strongly condemns this Indian act, and the entire world should condemn it," Foreign Minister Gohar Ayub Khan told Reuters news agency. "It has sucked Pakistan into an arms race."

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Lots of Old People Born Today

Life Expectancy to Rise Many Years Over the Next Century

Agence France-Presse

GENEVA — Thousands of people born at the end of this decade will live to toast the dawn of the 22nd century, the World Health Organization predicted Monday.

By 2025, global average life expectancy will top 73 years, compared to 66 now, and in 26 countries it will reach 80, the organization's annual health report said.

A person born in Iceland, Italy, Japan and Sweden can expect to live an average of 82 years. In Australia, Canada, France, Spain and Switzerland, average life expectancy will reach 81, while Germany, the United Kingdom and the United States will manage 80 years, the report said.

organization predicted. France, for one, is projected to have 150,000 centenarians by 2050, compared to 200 in 1950.

The average Chinese will live to 75, a Russian 72 and an Indian 71.

At the bottom of the rankings are

mainly African countries, with the average life expectancy in Guinea Bissau at 56 years and in Sierra Leone, 51.

In the next 25 years, the number of people over 65 is likely to grow by about one million a month, from 390 million now to 800 million, the report said.

WASHINGTON — The United States reacted with shock and dismay Monday to the surprise tests by India of three nuclear devices, a move that might require President Bill Clinton to impose sweeping sanctions.

The president is deeply distressed by the announcement of three nuclear tests," said Michael McCurry, the White House spokesman. "He has authorized a formal presentation of our displeasure to be made to the government in New Delhi."

Mr. McCurry said that the United States was "deeply disappointed by the decision of the government of India."

He added, "This runs counter to the effort the international community is making to promulgate a comprehensive ban on such testing."

U.S. officials expressed concern that the tests could sharpen Indian tensions with Pakistan and China, provoke a regional arms race and set back the cause of nonproliferation.

Administration analysts were scrambling for information on the tests and examining how U.S. sanctions laws might apply.

Under the Arms Export Control Act, such tests by a nondeclared nuclear weapons state, if confirmed by the president, oblige him to suspend foreign aid and military assistance, bar sales of military and other nonhumanitarian exports, vote against the country in international financial institutions and prohibit U.S. banks from making loans to the country's government, except for agricultural purchases.

The president can waive the sanctions if he determines them to be against U.S. national security, but Congress, certain to be angered by the tests, has the possibility of overriding the waiver.

James Rubin, the State Department spokesman, said the sanctions laws were being examined.

He added, "We strongly urge Pakistan to refrain from responding with a nuclear test of its own."

It was unclear whether a visit by Mr. Clinton to India and Pakistan, scheduled

Earlier this year, Mr. Rais said he would give Mr. Suharto six months to prove he was committed to carrying out economic reforms as part of a \$43-billion rescue package by the International Monetary Fund. But the momentum of calls for political change has outpaced demands to mend the economy, with a growing number of people saying they no longer believe the situation will improve until Mr. Suharto goes.

Mr. Rais said a change in leadership was the only way to avoid bloodshed following more than two months of student demonstrations that have grown increasingly violent. The protests indirectly led to rioting in two cities earlier this month, claiming at least seven lives.

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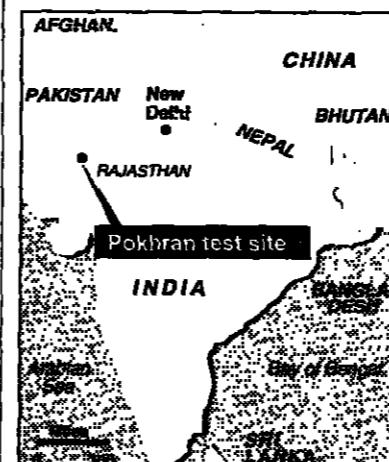
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Nuclear Testing in the 1990s



Pakistanis Clamor To Test Own Weapons

Compiled by Our Staff From Dispatches

ISLAMABAD, Pakistan — Foreign Minister Gohar Ayub Khan of Pakistan said Monday that nuclear testing by India was sucking his country into a nuclear arms race and vowed to make Pakistani defenses "impregnable against any Indian threat, be it nuclear or conventional."

Mr. Gohar Ayub stopped short of saying that Pakistan would conduct a nuclear test of its own, but he said, "Pakistan reserves the right to take all appropriate measures for its security."

"The responsibility for dealing a death blow to the global efforts at nuclear nonproliferation rests squarely with India," he said.

Even before the new Indian tests, pressure was mounting from rightist Islamic parties for Islamabad to conduct a nuclear test and put a nuclear bomb into its arsenal.

"We have now to show that we have a counterregional bomb," Hamid Gul, a former head of the Pakistani secret service, said Monday. "All the Muslim countries are vulnerable to India's ambitions that are driving it toward the Gulf and Central Asia."

India and Pakistan have fought three wars since the Asian Subcontinent gained its independence in 1947. The two neighbors came dangerously close to a fourth, possibly nuclear, confrontation in 1990 over the disputed state of Kashmir, the flash point of two previous wars.

Mr. Gohar Ayub complained that the West had failed to use its diplomatic and financial muscle to force India's new Hindu nationalist government to exercise restraint.

"We have been sucked into nuclear weapons race and a missile race which has been forced upon us," he said on television.

"I condemn this very strongly and the international community and world must condemn this very strongly and put sanctions against India because now they are more or less trying to say, 'To hell with you,'" he said.

Referring to the tests, he added, "I say very clearly that they have been encouraged by the lackluster, very mild cautionary notes to India," he said.

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AGENDA

Exit Polls in Philippines Favor Estrada

Millions of Filipinos cast their ballots Monday for president, vice president and 17,000 other local and national officials.

Early exit polls supported pre-election predictions that the country's next leader will be Vice President Joseph Estrada, 61, a former actor and

college dropout who is popular among poor people but derided among the nation's elite as ignorant and incompetent.

"It is the revenge of the masses," said Joel Rocamora, a former leftist revolutionary who now heads a political think tank. Page 4.

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50 Years Ago, Hungry Berlin Looked Skyward

By William Drozdiak
Washington Post Service

storring the relief supplies that Western Allies were airlifting to 2 million residents of West Berlin who were stranded when the Soviet Army cut off ground access to their island of freedom in 1948. The blockade lasted 462 days and was one of the defining moments in the early days of the Cold War.

When President Bill Clinton visits Tempelhof on Wednesday at the start of a European trip, he will pay tribute to the heroic actions of Mr. Moniem and countless others who ensured the success of history's greatest humanitarian air rescue. It is an achievement that for many Berliners symbolized how the United States would stand by newly democratic allies who only three years earlier were regarded as mortal enemies.

The statistics alone attest to an amazing logistical feat. More than 2.3 million tons of food, fuel and

medicine were delivered to Tempelhof and two other makeshift airfields to sustain the Western enclave 180 kilometers (110 miles) inside the Soviet-occupied zone of Germany. U.S. and British planes, with crews mobilized for round-the-clock service, flew 278,000 cargo missions.

At the peak of the airlift, planes were taking off and landing every 30 seconds.

The crisis erupted in spring 1948 when the Soviet Army began disrupting the flow of troops and supplies by the three Western Allies, the United States, France and Britain, to their occupation sectors in West Berlin. When West Germany introduced its new currency, the Deutsche mark, on June 24, the Russians closed off all ground routes to force the allies to abandon their

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Newstand Prices

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Still Suspected by U.S./ Former Opium Warlord in Burma

Mr. Lo Insists That He Deals Cars, Not Drugs

By Christopher S. Wren
New York Times Service

RANGOON — Chauffeured about town in his gleaming white sedan, Lo Hsing-han befits his reputation as one of the most influential businessmen in Burma.

A business card identifies him as chairman of Asia World Co., a conglomerate managed by his son, Steven Law. Their commercial empire includes jade, ruby and teak concessions, real estate in Rangoon, its renovated port facilities, a container-shipping business and toll booths on the resurfaced Burma Road winding north to the Chinese border.

Mr. Lo has traveled far from his bare-knuckle origins as an opium warlord of the Golden Triangle in the early 1960s, when U.S. drug officials linked him to much of the heroin winding up on the streets of American cities. He later survived seven years in a Burmese prison under sentence of death for treason, but after his release in 1980 he earned the government's gratitude for brokering a critical cease-fire with ethnic insurgents in 1989.

Now Mr. Lo says, there is more profit in selling cars across the Chinese border than in smuggling drugs.

The United States views Mr. Lo's prosperity as evidence that the Burmese economy is awash in laundered drug money and that its military junta has encouraged investment of drugs money in its development projects.

"Drug traffickers who once spent their days leading mule trains down jungle paths are now leading lights in Burma's new market economy and leading figures in its new political order," Secretary of State Madeleine Albright told the Association of South East Asian Nations, known as ASEAN, in Kuala Lumpur last July.

Proving any current complicity by Mr. Lo is more difficult. "There are no smoking guns, no evidence linking him to any investigation whatsoever," at present, a Western official who follows narcotics

Twice a year from 1963 to 1973, Mr. Lo said, he moved 10 to 20 tons of opium to the Thai border, using his own troops and 800 to 1,000 mules for each convoy. "It stretched out for three miles," he said. "If it went smoothly, it took about 26 days."

He waved aside questions about how much he earned. "I was working for the Kokang people and the poor people who were looking for a way to sell their product," he said. "I did so much for them, and I felt it was honorable."

When the government ordered him to disband his troops, Mr. Lo refused. "The Kokang people needed the opium market," he said. "It was their sole agent, so the Kokang farmers got a reasonable price."

In 1973 he was lured across the Thai border, captured, extradited to Rangoon and sentenced to death. "I didn't think any harm would come to me," he said. "The government didn't charge me with opium trafficking. They charged me with treason and violating socialist economic law."

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helping the poor." Mr. Lo is hardly the only reputed drug trafficker to succeed in business in Burma. Khun Sa, the world's biggest heroin producer, surrendered his rebel Shan army in January 1996 and moved into a villa in a government military compound in Rangoon.

The Burmese government refuses to extradite Khun Sa to the United States, where he has been indicted for trying to smuggle 3,500 pounds (1,600 kilograms) of heroin into New York. He has described himself as a real estate agent and his investments are said to include a new resort casino and a bus route between Rangoon and Mandalay.

MR. LO'S drug career began when he commanded a home guard unit battling Communist insurgents. The only way to equip and feed his troops, he said, was through the opium trade. "In the Kokang mountains, people earned their living from poppy for over 100 years," he said. "Over that period, poppy-growing and trading were legal. It was the only income for people."

As he tells it, rival traffickers demanded commissions of 25 percent or 30 percent to take the opium for refining in Thailand. He undercut them by charging 20 percent.

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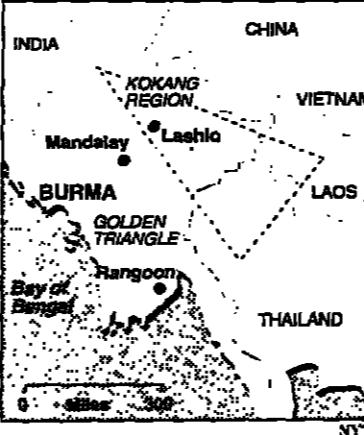
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Christopher S. Wren/The New York Times



I welcome the whole world to investigate me, says Lo Hsing-han, now a leading Burmese businessman. He promises \$5,000 to anyone who can link him to drugs in the last 25 years.

"I welcome the whole world to investigate me," Mr. Lo said, promising \$5,000 to anyone who could link him to drugs in the last 25 years.

BARELY glancing at his diamond-studded gold Rolex wristwatch, Mr. Lo fielded questions in Chinese while his chopsticks poked at a succession of dishes.

He reminisced about the late 1960s and early 1970s when his opium-laden mule caravans stretched several miles across the mountainsides and ravines of Kokang, his ethnic Chinese home region in northeast Burma.

What drew him, he contends, was not greed but benevolent concern for Kokang's struggling poppy growers.

"I don't bother about eating, drinking or traveling," he said. "My whole life has been spent just

at the age of 64. Mr. Lo has not lost the nerve that helped him thrive in the opium trade. Told that several American reporters wanted to interview him, he invited them to dinner. He denied any involvement now in trafficking or money laundering.

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THE AMERICAS

Republicans Start Fretting About NovemberBy Alison Mitchell
New York Times Service

WASHINGTON — After months of confidence that the nation was heading into a serene, status-quo election, Republicans are suddenly worried that they could lose control of the House this November unless they energize their conservative base.

"There's a whole host of warning signs," said Ralph Reed, a Republican strategist and former executive director of the Christian Coalition. "My own view is that the Republican House majority is in jeopardy. I'm not predicting a Democratic pickup. I'm just saying it's in jeopardy."

This concern has been driving House actions lately and was very much in evidence Friday as House Republican leaders huddled at the Library of Congress with a wide array of Christian and other social-issue conservatives.

After a contentious three-hour session, the senior Republicans vowed a new commitment to the agenda of the groups, which were a key element of the Republican electoral majorities in 1994 and 1996. Representative Tom DeLay, Republican of Texas, the House majority whip, described the meeting as "a lot of good, solid, frank talk about our concerns, their concerns, listening to each other and carrying on a dialogue."

The meeting came at a pivotal political moment for the Republicans.

The chairman of the House Republicans' re-election committee, Representative John Linder of Georgia, still maintains publicly that House Republicans will pick up at least 10 to 15 seats. But he acknowledges: "We've got to energize the base. I also want very much to energize my colleagues who need an understanding it's a political year."

Republicans say the Georgian was far more blunt in a closed-door meeting of

the House Republican leadership just after the last congressional recess ended in mid-April. He gave his fellow Republicans a strategy memorandum warning that they could endanger their majority status unless they started drawing sharp distinctions between themselves and the Democrats.

The jitters among Republicans has several causes. For one thing, the Republicans have more districts to worry about than they had expected, defending 17 open seats, compared with 16 for the Democrats. They have little room for error: The Republicans' 11-seat majority is the narrowest one in the House in half a century.

The death of Representative Steven Schiff of New Mexico and the unexpected decision by Representative Wes Watkins of Oklahoma not to seek re-election have left them with uphill fights. Mr. Watkins, for example, is a former Democrat and his district is

known as "Little Dixie" because of its traditional Democratic allegiance.

In addition, for months voters have told pollsters they prefer a Democratic Congress to a Republican one or else they put the parties at a virtual tie. Such poll readings are considered a useful indicator of the political terrain on which individual candidates must fight.

Democrats are doing remarkably well financially. An analysis of recent reports to the Federal Election Commission shows that Democrats in the 33 open House seats are out-raising Republicans. The typical Democratic candidate in an open seat has \$112,415 in cash on hand, compared with \$77,688 for the typical Republican.

Perhaps most importantly, House Republicans have become concerned that social conservatives, who can help Republicans turn out their core supporters, are disaffected with a Congress that has not been able to deliver on their issues.

"It's very clear that the people who showed out in the rain for us have not been enamored with the past year," said Representative Lindsey Graham, Republican of South Carolina, who is one of the conservative firebrands of the sophomore class. He praised party leaders for reacting. "What's stupid is to ignore the obvious."

These concerns, Republicans said, help explain why the leadership is scheduling an array of votes over the next several months on issues dear to conservatives, such as prayer in the schools, even though much of that legislation has no chance of passage.

The House leaders created a new House task force called the "Values Action Team," headed by Representative Joseph Pitts, Republican of Pennsylvania, to coordinate with the groups on an array of legislation.

The House soon will take up legislation important to Christian conservatives that could impose economic sanctions on countries that persecute people for their religious beliefs. Coming this summer is a vote on a constitutional amendment to allow prayer in schools.

The groups said the session could be the beginning of a rapprochement, but that they were looking for action, not just promises. James Dobson, whose Focus on the Family radio show draws 5 million listeners, said there was "good discussion," but added, "only time will tell."

"It's easy to talk about things," he said. "It is tougher to get action in Congress and certainly in the Senate."

POLITICAL NOTES

Report Is Readied On Fund-Raising

WASHINGTON — The outgoing head of the Justice Department's campaign finance task force is preparing a final report for Attorney General Janet Reno that will determine whether senior Democrats should be prosecuted for allegedly conspiring or acting individually to violate fund-raising laws, according to Justice Department officials.

Charles LaBella, the career federal prosecutor who was brought in last September to revitalize the floundering task force, believes sufficient evidence now exists to conclude whether abuses extended beyond individual fund-raisers to senior Democratic National Committee officials and perhaps into the White House, officials said.

His report, which department officials said is expected by midsummer, seems certain to reignite the controversy over fund-raising during the 1996 election cycle, particularly in the Clinton-Gore campaign, and the debate over whether it should be investigated by an independent counsel.

Mr. LaBella's approach marks a sharp departure from the "bottom-up" strategy that marked the first year of the 18-month-old task force investigation. Rather than building cases against the front-line fund-raisers — three of whom already have been indicted — his report will horizontally piece together evidence from dozens of separate investigations to look for any pattern of illegal activity orchestrated by the Democratic National Committee and White House officials.

"After the same characters emerge playing the same roles in several different cases, an investigator has to determine whether there is a common theme, and the task force now knows enough to do that," said an official familiar with Mr. LaBella's thinking.

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President Bill Clinton is expected to announce on Tuesday the International Crime Control Strategy, which identifies the major international threats to the United States as drug trafficking, acquisition or sale of weapons of mass destruction by criminals, the transfer of sensitive U.S. technology to rogue foreign states and trafficking in women and children.

"This is where the threats are now, and what we must focus on because transnational crime threatens us both politically and economically," said a White House adviser. "Every day we wait in dealing with the problem, the more unmanageable it becomes."

Officials say international criminal organizations, with billions of dollars at their disposal, are far outstripping the capabilities of law enforcement officials to contain them. (WP)



Richard Gephardt

Quote/Unquote

Representative Richard Gephardt of Missouri, the House minority leader, on the effort by Democrats to oust Dan Burton, Republican of Indiana, as chairman of the committee investigating campaign finance practices: "They're going to try again this week to get him to act properly. If he will, we're willing to go forward. But if he simply continues what he's been doing, we have no choice but to ask him to step down, and even go to the floor of the House and ask the House to vote on this proposition." (NYT)

Ban on Some Food Imports Is SoughtBy Tim Weiner
New York Times Service

WASHINGTON — Federal investigators are calling on the United States to stop importing food from nations that do not meet U.S. health and safety standards, saying the Clinton administration and Congress have failed to create a system to prevent foodborne diseases in imports that may sicken and kill people.

The fact that booming global imports have overwhelmed federal efforts to protect the public from food-borne disease is recognized, say investigators from the General Accounting Office. So is the fact

that the present system of stopping tainted food at the nation's borders is outdated and ineffective, a new report by the federal agency said.

And scientists are seeing outbreaks caused by little-known pathogens, like a parasite called cyclospora, which sickened about 2,500 Americans who are imported Guatemalan raspberries in the last two years.

One solution is to demand that foreign nations create food-safety systems that meet U.S. standards, said the General Accounting Office, the investigative arm of Congress. But federal officials have not made this demand,

fearing that it would disrupt trade. The General Accounting Office's report, to be published this week, recommends that "Congress require all foods eligible for import to the United States, not just meat and poultry, to be produced under equivalent food safety systems."

But senior federal food-safety officials disagreed with that recommendation, arguing that "such mandatory authority would disrupt trade if implemented at one time," the report said. Officials of the Federal Drug Administration now believe that the authority should be discretionary, not mandatory, the report said.

Lewinsky and Family Hire Media Specialist*The Associated Press*

WASHINGTON — Monica Lewinsky and her family are adding a media relations specialist — a former deputy press secretary to President George Bush — as the investigation of President Bill Clinton reaches a critical phase.

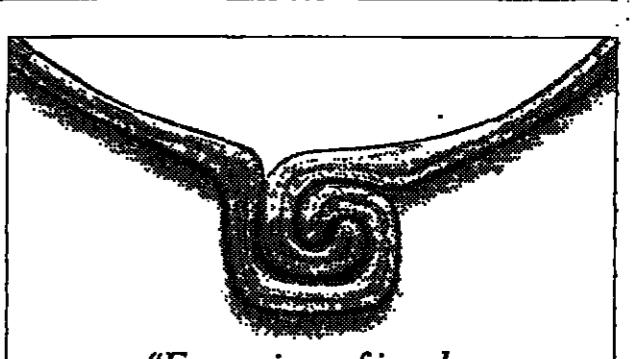
Judy Smith, who has worked for investigators in the Iran-contra scandal and the drug prosecution of Mayor Marion Barry of Washington, was beginning her job Monday at the urging of Ms. Lewinsky; her father, Dr. Bernard Lewinsky, and her mother, Marcia Lewis.

Ms. Lewinsky's lawyer, William Ginsburg, said Sunday night that he was "delighted to have Ms. Smith on board." He said it would allow him and the co-counsel, Nathaniel Speights, "to focus more intently on the legal issues."

Kenneth Starr, the special prosecutor who is investigating Mr. Clinton's dealings with Ms. Lewinsky, recently won an important court victory regarding the former White House intern. The chief U.S. district judge in Washington, Norma Holloway Johnson, ruled late last month that there was no immunity agreement that would protect Ms. Lewinsky in the investigation of allegations that there had been a sexual relationship between her and Mr. Clinton, and that she had been urged to deny it under oath.

Mr. Ginsburg had contended there was such an agreement between himself and Mr. Starr's office.

Ms. Smith runs her own media relations and public relations firm in New York. In 1991 and 1992, she was deputy press secretary at the White House. Subsequently, she was a senior vice president of communications at NBC.



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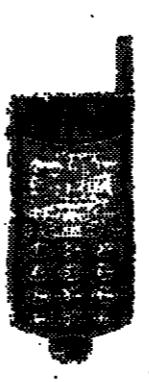
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Vice President Leads Philippine Exit Polls

By Seth Mydans
New York Times Service

GUAGUA, Philippines — Squatting on tiny schoolroom benches, their heads buried in three-sided cardboard boxes marked "Voting Booths," millions of Filipinos cast their ballots Monday for president, vice president and 17,000 other local and national officials.

Early exit polls supported pre-election surveys that predicted that the country's next leader would be Vice President Joseph Estrada, 61, a former actor and college dropout who is popular among poor people but derided among the nation's elite as ignorant and incompetent.

"It is the revenge of the masses," said Joel Rocamora, former leftist revolutionary who now heads a political-policy institute. "They are tired of being led by smart people."

On huge brown tally sheets stretched across the classroom walls, and in an exit poll of more than 13,000 people conducted by radio station DZRH, Mr. Estrada held a commanding lead over candidates supported by the country's last two presidents, Corazon Aquino and the incumbent, Fidel Ramos. Presidents are restricted by the Constitution to one six-year term.

"This is the last and greatest performance of my life," Mr. Estrada said as he squeezed into a schoolroom chair to vote Monday morning in his hometown, San Juan, which is part of Metro Manila. "Of course I will win. It's all over but the counting."

Laborious Ballot Count Expected to Take 10 Days

This may take some time. A citizens' watchdog group said its "quick count" of the nation's 34 million eligible voters would take about 10 days. The official result is not due for at least two weeks.

The overwhelming favorite to win the separate vice presidential vote was Gloria Macapagal Arroyo, an economist who is the daughter of late President Diosdado Macapagal.

Trailing Mr. Estrada in the presidential exit poll was Mr. Ramos's choice, the House speaker, Jose de Venecia, and Mrs. Aquino's choice, Alfredo Lim, the mayor of Manila. A total of 11 presidential candidates fragmented the vote, making it likely that the victor would win fewer than 40 percent of the ballots.

Those predictions seemed to be coming true Monday in Guagua, a small farming town in Pampanga Province, northwest of Manila. After voting ended at 3 P.M., a laborious tally lasted far into the night, as school teachers read out the handwritten ballots for 20 positions, from president to senator to governor to mayor to city councilman.

Young poll-watchers crouched over their tallies, fanning themselves in the muggy evening with square slices cut from the cardboard voting booths.

The school yard, normally filled with the chants of children reciting the alphabet, was a roundelay of Filipino names, echoing from the different classrooms: Cunanan, Torres, Legarda, Soto, Ople, Abadia, Dinson, De Villa, Ducat.

Most common, in ballot after ballot, were Estrada and Macapagal.

It what the daily Philippine Inquirer warned was "chaos by design," intended to open the way for manipulation, the vote was marred by myriad small irregularities: Ballot boxes whose transparent sides were covered by paper, counters who read out names too quickly to be tallied, indelible ink that easily washed off the hands of people who had voted, unscheduled lunch breaks during which poll-watchers wandered away.

There were fears of "flying voters" who cast ballots in several precincts, of "ghost voters" whose ballots were cast even though they had died or moved away, and of "dagdag-bawas," the Filipino words for "add-subtract," in which votes are switched during the counting.

And as always in the Philippines there was violence, with at least seven deaths reported during the voting, bringing the reported death toll during this election period to more than 40. Most of the violence was reported on the southern island of Mindanao, where groups of gunmen roamed some precincts and one candidate reportedly fired a mortar round at the home of a rival.

In a country where politics is a leading form of entertainment, this election was notable for the



People searching for their names Monday on voting lists in Bonuan, Philippines. In many precincts, the lists were incomplete. About 34 million people were eligible to vote.

"me," said Jose de Ocampo, Mr. Ramos's finance secretary, as he campaigned for a seat on the Senate. "I'm a singer, a guitar player and an economist."

Even serious-minded politicians were required to dance and sing for their votes. "Don't forget He also vowed election crowds by demonstrating his karate kicks."

More Than 2,000 Tests

U.S. Leads the List With 1,032 Explosions

Agence France-Presse

NEW DELHI — The first atomic bomb was exploded on July 16, 1945, in the New Mexico desert in the United States. The official total of nuclear tests has since risen to more than 2,000.

According to the International Institute of Strategic Studies in London, these were mostly conducted by the five declared nuclear powers — the United States, the Soviet Union (now Russia), France, Britain and China.

The United States heads the list with 1,032 tests, followed by the Soviet Union with 715, France with 210 since 1960, Britain with 45 and China 44.

The 1963 partial test ban treaty signed by the United States, the Soviet Union and Britain forbade atmospheric testing but permitted nuclear powers to conduct underground tests.

India, which announced three underground nuclear tests on Monday, carried out an earlier test in 1974.

The more recent Comprehensive Nuclear Test Ban Treaty, agreed by the United Nations and opened up for signature in 1996, theoretically bans any nuclear testing at all. But India opposed the treaty and has refused to sign it.

The treaty will take effect on 44 countries — including the nuclear

powers — ratify the document. Only 13 have so far ratified it.

India has been described as a "threshold" nuclear power, meaning it was believed to have the capacity to produce nuclear weapons and may have them already.

India is not considered a full nuclear power because under the 1970 Nuclear Nonproliferation Treaty this status applies only to states that conducted tests before Jan. 1, 1967.

Pakistan is also considered a threshold nuclear power, justifying its refusal to sign the Comprehensive Nuclear Test Ban Treaty by its need to maintain military parity with India, with which it has fought three wars since independence and partition of the Asian Subcontinent in 1947.

The Chinese, who exploded their first nuclear weapon in October 1964, announced after their most recent test, on July 29, 1996, that they were suspending nuclear testing.

North Korea said May 8 that it might revoke its decision to freeze its nuclear program if the United States did not respect commitments undertaken in 1994. Under the accord, Pyongyang agreed to freeze its nuclear program in return for more modern nuclear reactors.



Prime Minister Indira Gandhi, below, at the site of India's first nuclear test shortly after the 1974 underground blast devastated the area. The tests Monday took place at the same testing ground, 70 miles from Pakistan.

NUCLEAR: India's Tests Raise Old Fears

Continued from Page 1

mentum of India to conduct three nuclear tests," the White House spokesman Michael McCurry, said. "This runs counter to the effort the international community is making to promulgate a comprehensive ban on such testing."

For several years, India and Pakistan have engaged in a regional cold war that until Monday was confined to the development of missiles with progressively longer ranges. Pakistan's test last month of the Ghauri missile, with a range of 1,490 kilometers, was seen as a response to India's movement last year of Prithvi missiles into storage near the border within range of Pakistan's major cities.

Mr. Vajpayee described the tests as "contained explosions like the experiment conducted in May 1974," the only previous time India has detonated a nuclear device.

Monday's tests were also done at the same place as the first one, in the desert of Rajasthan state at Pokhran about 110 kilometers from the Pakistani border.

The prime minister said monitoring equipment showed no radioactivity had been released into the atmosphere. The latest tests included the detonation of a thermonuclear or hydrogen device that Mr. Mishra said had a "much bigger" yield than the 1974 explosion, while the other two carried about the same force.

One was a "low-yield device" like the one tested in 1974, and the other a fission device.

Although the Cold War made nuclear weapons unpopular in the United States and other Western nations, the development of strategic armaments has wide public support in both India and Pakistan,

according to opinion polls. A majority of Pakistanis, having lost three wars to India since 1947, consider nuclear weaponry as a practical way to neutralize the superior conventional strength of a much larger India whose military prowess Pakistan cannot hope to match despite its heavy defense expenditures.

Indians have appeared driven more by a relentless wish for international respect for their huge but poor nation of 950 million people. The nation's strategic analysts typically speak of a need to compete militarily with China, a declared nuclear power that humiliated India in a 1962 border war and has treated its neighbor as an inconsequential military threat since then.

Both the campaign platform of the Hindu nationalist Bharatiya Janata Party, to which Mr. Vajpayee belongs, and his coalition government's agenda promised to "exercise the option to conduct nuclear weapons," wording that has been regarded as deliberately ambiguous.

One leader of the Bharatiya Janata Party suggested that the nuclear tests would guarantee India the permanent seat it covets on the United Nations Security Council. Another party leader predicted that the testing would unify a politically divided India.

Mr. Mishra did hold out the possibility that India's tests could ultimately lead to more formal restraint instead of spiraling escalation. He said that India could possibly forgo future tests in accord with the Comprehensive Test Ban Treaty, which the nation has refused to sign, and depend on computer simulations to update its nuclear capability. Such a scenario, he said, "would depend on a number of reciprocal activities." Pakistan has not signed the test ban either.



India's Senior Nuclear Scientist Celebrates Bomb

Reuters

BANGALORE, India — The phone has not stopped ringing at Raja Ramanna's house since Prime Minister Atal Bihari Vajpayee announced Monday that India had conducted three underground nuclear explosions.

And not without reason. The 73-year-old scientist is considered to be the father of India's atomic test program.

Mr. Ramanna opened a bottle of wine to celebrate after New Delhi announced the three tests near the western town of Pokhran, the first in 24 years.

"These are only ornaments, not necessary in the modern world," Mr. Ramanna said in an interview. "They can't kick us around, especially Pakistan."

Mr. Ramanna was the director of India's Bhabha Atomic Research Center when India exploded its first nuclear device at Pokhran in 1974 and was the chief scientist behind the project.

Mr. Ramanna said the three explosions Monday were very significant because they meant India's nuclear progress since 1974 had been tremendous. The tests, he said, were proof of the country's skills in making nuclear bombs.

"Producing a hydrogen bomb is no simple thing, and it seems to have

worked," Mr. Ramanna said. "The tests were done one after the other, which is tremendous. And the secrecy was maintained."

Mr. Ramanna was appointed chairman of India's Atomic Energy Commission after the first nuclear test. In 1989, he became a federal minister for defense in the short-lived National Front coalition government headed by Prime Minister Vishwanath Pratap Singh.

He was reappointed a member of the energy commission last month.

Regarding India's new nuclear status, Mr. Ramanna said: "We'll have to face the consequences."

SANCTIONS: Dismayed U.S. Studies Penalties Against India

Continued from Page 1

later this year, will go ahead.

"It's impossible to tell what the impact is on the trip at this point," Mr. McCurry said.

Mr. Clinton is also scheduled to visit China next month. Officials in Washington said they did not believe the United States had any warning of the tests. They appeared likely to affect a range of Clinton administration plans and policies. American analysts used words like "disastrous" to describe the political impact.

Among other implications, they said, the tests were a major, and possibly fatal, blow to administration hopes to gain Senate ratification of the Comprehensive Test Ban Treaty.

Referring to the Comprehensive Test Ban Treaty, he added. "It will be harder now for President Clinton to get the CTBT ratified by the U.S. Congress."

Mr. Khan was reached in Cannes at an international conference on nuclear energy, where he said the near-unanimous

feeling was that the Indian tests "clearly will be a setback for the cause of peaceful nuclear energy around the world."

"The advanced countries will be much less inclined now to help developing countries with nuclear power," he said. "They'll say there's a linkage between nuclear power and nuclear explosions."

Mr. Leventhal called the tests "a major disappointment and highly deplorable."

They were sure, he said, "to trigger one or more test blasts by Pakistan and bring the nuclear arms race in the region out into the open."

Analysts said the tests appeared to target an audience in Beijing as much as in Islamabad.

Mr. Leventhal noted that Pakistan had just opened a plutonium production reactor at Khushab, its first, with Chinese help.

Some analysts said that a regional arms race, with waves that could shake countries bordering the Asian Subcontinent, seemed far more likely now.

"We know the Pakistanis are going to have to react," Mr. Mendelsohn said. "maybe by stepping up their missile programs, maybe by a test. But if this is only the beginning of a series of tests, at some point, China might be pushed to the wall, and that brings in the Russians, friends of India."

There was no immediate comment on the tests from Moscow.

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Analysts said that American legislators were likely to agree, across party lines, in condemning the Indian tests for raising tensions and endangering non-proliferation efforts.

"In my judgment, this makes it almost absolutely certain the CTBT will not come about," said Baker Spring, a senior defense policy analyst at the Heritage Foundation, a conservative think tank.

The Comprehensive Test Ban Treaty was signed by the United States and many other countries, but not India or Pakistan, and still awaits U.S. Senate ratification.

"India has now taken substantive action that will make it very difficult to walk back," Mr. Spring said.

In Vienna, the International Atomic Energy Agency said that New Delhi had broken no promise with its tests.

"India can't be accused of breaking any promises because it hasn't made any promises," the agency said.

PAKISTAN: Clamor for Testing Its Own Nuclear Weapons Grows

Continued from Page 1

The main opposition leader, Benazir Bhutto, condemning the Indian tests, urged the international community to take "stern notice," as the Indian action had "irreparably" damaged the "fragile" trend of nonproliferation in South Asia.

The former prime minister predicted a "new and dangerous era of arms" as the Indian tests "qualitatively alter the security environment and will result in a arms which will further impoverish the poor people of the region."

The Indian tests came one month after Pakistan said it had test-fired its new "Ghauri" missile, with a 1,500-kilometer (930-mile) range, to defend itself.

The top Pakistani nuclear scientist, Abdul Qadeer Khan, said Islamabad could conduct a nuclear test and was only waiting for government instructions to do so.

The chairman of the Pakistani Senate Foreign Affairs Committee, Akram Zaki, said: "India's policy is bullying policy. We should refuse to be bullied."

"Pakistan has the obligation to main-

tain a deterrent capability," he added.

The most vehement reaction came from Pakistan's leading fundamentalist party, Jamaat-i-Islami, which said, "We demand of the government of Pakistan to conduct a nuclear test forthwith."

If the government fails to do so under any American pressure, it will mean a surrender of our sovereignty and enslaving the country to the United States," said the head of Jamaat-i-Islami, Qazi Hussain Ahmad, adding that if Islamabad "shows cowardice and puts off the vital decision because of any expedient, India's hegemonic designs will receive a boost in the region."

"We hope that the nation will hear the happy tidings of a nuclear test by Pakistan in a matter of days," he said.

(Reuters, AP, AFP)

■ No Surprise' to Pakistanis

Brian Knowlton of the IHT reported from Washington:

A top Pakistani nuclear scientist, Munir Ahmad Khan, said that the tests, which followed vows by the new government party in India to demonstrate that country's nuclear capabilities, were "no

EUROPE

Vote Encourages Hungarian Right But Socialists Hold Edge in Runoff

Reuters

BUDAPEST — Hungary's right gloated Monday over its strong showing in the first round of a two-stage general election, but political analysts said it was too soon to count the ruling Socialists out.

The Socialists remained Hungary's strongest party, getting 32.25 percent of the vote Sunday.

But their coalition partners, the Free Democrats, plunged below 8 percent from almost 20 percent in the previous election, in 1994, while the center-right Fidesz, or Hungarian Civic Party, soared to second place with 28.2 percent from 7 percent previously.

The second round of voting takes place on May 24.

Istvan Csurka, leader of the far-right Hungarian Justice and Life Party, which got sufficient votes to hold parliamentary seats for the first time, said he would help other rightist parties eject the Socialist-liberal coalition.

Mr. Csurka said on Hungarian television that his party was willing to support Fidesz and the rightist United Historic Smallholders Party "from outside."

The Smallholders were lying third in the percentage tally with almost 14 percent.

"I can say surely that we will support them — from outside the coalition but inside Parliament — in order to replace the present coalition government," Mr. Csurka said.

Both Fidesz and the Smallholders have been at pains in the run-up to the election to say they would not contemplate a coalition with Justice and Life.

Mr. Csurka's party got only 5.5 percent of the vote in the first round, up from 1.4 percent in 1994, but it was enough — more than 5 percent — to enter Parliament.

Analysts were at pains to point out that, under Hungary's complicated system, which combines regional, national and party lists, it was impossible to say whether the Socialists or Fidesz would form the next government.

Tibor Vidos, analyst for GJW Political Consulting, said that the voting system was so complex that even another Socialist-Free Democratic coalition was possible.

"The Socialists received almost exactly the same amount of votes as they received four years ago, so I don't think it's a major disaster for them," he said.

It's their coalition partners, the Free Democrats,

who received much less than four years ago.

"And I think we should not forget that the current government had an over two-thirds majority in the house, so what this election result certainly rectifies is that we will have a much more balanced showing of the left and right wings in the Parliament," Mr. Vidos said.

The situation was further complicated by low turnout in two eastern counties, Hajdu-Bihar and Szabolcs-Szatmar, where less than 50 percent of registered voters cast their ballots.

The National Electoral Committee ruled that the first round vote in those two regions was incomplete and would have to be rerun simultaneously with the second-round vote on May 24.

Tamas Deutsch, left, a vice president of Fidesz, congratulating the party leader, Viktor Orban, after the vote.



Nationalism Begins to Divide Macedonia, Too

By Chris Hedges
New York Times Service

logical mutations that led to ethnic conflict.

"Macedonia is like Bosnia in the final years before the war," said Mustafa Peza, 44, a ethnic Albanian and political reporter for the state radio.

"The crisis in Bosnia began just like this, with the formation of extreme nationalist parties, the media dividing into ethnic camps and an economic situation that was hopeless and left a huge number of people hungry and out of work."

Macedonia has had a troubled history since its independence seven years ago.

The hostility of its neighbors — especially Serbia, Bulgaria and Greece, which fought the Turks over Macedonia early in this century — led the United Nations to send a peacekeeping force, including a small contingent of U.S. troops, to monitor its borders.

But the state, while incorporating its ethnic Albanian minority into the government, has also sought to bolster its legitimacy by mythologizing Macedonian culture.

The government has asserted, despite dubious historical evidence, that Alexander the Great is the forefather of the modern nation. Macedonian is the sole official language. The state has turned the Macedonian Orthodox Church into an official creed.

The ethnic Albanians, who are mostly Muslims, say they can never be full members of the state. Few senior police

officials are of Albanian descent, even in Albanian villages, and the military is dominated by Macedonians.

Albanians make up the majority of the unemployed in a country where a third of the work force is without jobs.

Along with the militants, an underground ethnic Albanian university in Tetovo, which meets in private homes, seeking to counter Macedonian chauvinism by teaching ethnic Albanians a chauvinism of their own.

And there are feverish real estate deals under way in Skopje, the capital, so that increasingly ethnic Albanians live on one side of the Vardar River and the Macedonians on another.

Daily incidents speak of ethnic polarization. Mr. Peza said that when he took his 7-year-old daughter to a Macedonian school in his neighborhood, the students taunted her about her Albanian roots and name. He now drives her across the city so she can attend an Albanian school.

The government, alarmed by the growing separatist movement, which set off three homemade bombs in January without causing casualties or damage, has begun to crack down on the militants.

Last month it sentenced the mayor of Gostivar, Ruli Osman, to seven years in prison for flying the Albanian flag in front of city hall and inciting separatism. The mayor of Tetovo was given two and a

half years in prison for refusing to remove the Albanian flag.

Across the border to the north, the Kosovo Liberation Army, known as the UCK for its acronym in Albanian, is fighting for the predominantly Albanian province's independence from Serbia.

Defense Minister Lazar Kitanoski says he is deeply worried about the "UCK-ization" of young ethnic Albanians in Macedonia.

"Most young Albanians worship the Kosovo Liberation Army," said Ruzdi Selmani, 28, an ethnic Albanian militant. "They see it as the vanguard of the Albanian liberation movement. There are Macedonians who have gone to fight in Kosovo."

After the two mayors were sentenced, seven ethnic Albanians in Parliament, nine mayors and scores of local council members resigned in protest three weeks ago. Albanians who have remained in the government, including five members of the cabinet, say they are coming under increasing pressure to withdraw.

"In my district we have 80 percent unemployment," said Mersel Bilal, a Parliament member who did not resign. "How can I talk about cooperation? Most people believe this poverty is part of a plan by the Macedonian majority to push the Albanians aside."

Ljupco Georgievski, 33, a

BRIEFLY

Toll in Italy Mud Slides Hits 135

SARNO, Italy — A day after a mass funeral for most of this town's landslide victims, the hardened mud yielded more bodies Monday, raising the death toll in the disaster last week to 135. All but 22 of the bodies were found in Sarno. Other victims were found in nearby towns.

Monday was declared a day of national mourning, with Italian and European Union flags flown at half-staff. Rescuers continued to dig with backhoes and shovels for the missing, by some estimates more than 100 people.

There was grief and anger at funerals Sunday in Sarno. Eighty-three coffins were placed on a soccer field for a group memorial, and separate rites were held for 12 other victims. Residents have accused local authorities of failing to advise them to leave their homes when the mud slides began May 3.

Surgery on Havel Is Successful

PRAGUE — Surgeons successfully operated Monday on President Vaclav Havel to close an aperture in his throat made during a tracheotomy last month, officials said.

Meanwhile, doctors confirmed that the 61-year-old president should be able to leave the hospital on Wednesday or Thursday. Mr. Havel underwent the tracheotomy on April 24 in Innsbruck, where he was hospitalized for emergency surgery on a perforated intestine. The procedure Monday, which took 45 minutes, was carried out at the Prague military hospital. (AP)

One-Day Walkout in Denmark

COPENHAGEN — Several thousand workers left out of a labor settlement last week went on strike Monday in a one-day protest to demand that they, too, be given more time off.

About 1,000 workers of the Lindoe shipyard on Funen Island walked out, as did 320 employees of Radiometer, a manufacturer of electronic measuring equipment. Also on strike were 500 workers on two construction projects, a tunnel and bridge that will link Copenhagen to Malmo, Sweden, and new terminals at Copenhagen's international airport.

To end a crippling, 11-day strike, Parliament ordered last week that the Confederation of Employers provide members of unions affiliated with the Confederation of Trade Unions with two additional days of annual vacation, plus three more personal days per year to those with children under age 14. (AP)

Strike Halts Gucci Murder Trial

MILAN — The first day of the murder trial of Maurizio Gucci's former wife and four other defendants was over almost as soon as it began Monday as a lawyers' strike forced a week's adjournment.

Dozens of people showed up in court, hoping to see the fashion scion's former wife, Patrizia Reggiani Martinelli, but she exercised her right not to attend the trial.

Prosecutors contend that she masterminded the 1995 murder of Mr. Gucci, grandson of the founder of the company famed for its luxury leather products. They allege she hired a two-man hit team through a high-society psychic and a hotel doorman after her former husband had her alimony cut by 50 percent. (AP)

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THE WORLD'S DAILY NEWSPAPER

Holbrooke In Belgrade On Kosovo

Reuters

BELGRADE — The U.S. envoy Richard Holbrooke and a colleague, Robert Gelbard, flew from Tirana to try again to persuade Mr. Milosevic to open talks with Kosovo's ethnic Albanian majority, which seeks independence.

Mr. Milosevic rules that out while also rejecting foreign mediation. Efforts to start talks have been stalled by his rejection of such mediation and the ethnic Albanians' refusal to negotiate without it.

Economic sanctions, including a freeze of Yugoslavia's assets abroad and a ban on foreign investment in Serbia, have failed to force Mr. Milosevic to change his mind.

The danger, as Western officials continue to note, is that a war in Kosovo could spread across Yugoslavia's borders into Albania and Macedonia.

The ethnic Albanians are a majority in Kosovo, where they make up 90 percent of the 1.8 million population.

Mr. Holbrooke's mission is one of the last chances to avert a full conflict between Serbs and the separatist Kosovo Liberation Army, diplomats said during the weekend.

Separatist attacks forced the police to close Kosovo's main east-west highway only 12 kilometers (7 miles) outside Pristina on Monday after a police convoy was attacked close to the airport.



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OPINION/LETTERS

Heed China's Oppressed On Dealing With Beijing

By Anthony Lewis

BOSTON — With President Bill Clinton going to China next month, attention is focusing again on the question of how the United States should try to improve the human rights situation there. I raised the question in an interview with the Dalai Lama, who for 40 years has been a prominent symbol of resistance to oppression by the Chinese Communist government.

"China should not be isolated," the Dalai Lama said. "It must be brought into the mainstream of international life. Now the next question: How?"

He laughed heartily at his own question. Then he continued, emphatically:

"Confrontation or condemnation: I don't think it works. The only practical way is to be a genuine friend. Within that framework, the American stand on issues like human rights, democracy, liberty and Tibet should be made very clear to them."

"So I feel the American administration's current policy of engaging the Chinese and establishing friendly relations is right."

When Mr. Clinton came to office in 1993, he first adopted a policy of pressure on the Chinese government to end its violations of human rights. But then he decided that that approach was ineffective and changed it to a

policy of "engagement." In recent months, Beijing has released and sent to the United States its two best-known political prisoners, Wei Jingsheng and Wang Dan.

The Dalai Lama, who was visiting Brandeis University in Massachusetts, took a similar view of his own relations with Beijing. "At this moment," he said, "meaningful dialogue with the Chinese government is crucial."

Attempts to open a dialogue between the Dalai Lama and Beijing were broken off in 1993.

The Chinese government has treated his current effort in that direction disdainfully, suggesting that his talk of autonomy rather than independence for Tibet is a sham. He said the United States, "knowing my view, can help dispel the suspicions of the Chinese."

"Inside Tibet things are really bad," he said. "There are human rights violations, damage to the environment, degeneration of spirituality. Talks with the Chinese government are the real hope to solve these problems."

He said he was "very optimistic" about the trend of conditions in China. "It is comparatively more open," he said. "Now some critical articles about government policy regarding Tibet are appearing. They may not be in big-circulation



journals, but they are there. These are very, very positive factors."

The Dalai Lama made it clear that his support of a friendly U.S. approach did not mean silence on human rights issues.

"If you are only concerned about the economic side," he said, "that would be a terrible mistake. President Clinton should not go there and just forget about the issues of human rights, freedom and Tibet."

A strikingly similar view was taken by Wang Dan, who spoke at Harvard University soon after his release from prison last month. He said he thought improved U.S.-Chinese relations "will help economic and political reform in China." But he

added that the United States must keep emphasizing its "moral standards."

Wang Dan was a leader of the democracy movement crushed in Tiananmen Square in 1989. Mr. Clinton has agreed, at the Chinese government's request to visit Tiananmen Square next month. That seems a craven concession, a violation of the principle that America should hold fast to its ideals.

But it is equally true, I think, that America should avoid gestures likely to do more harm than good. An example is the proposed Freedom from Religious Persecution Act, which the House takes up this week.

Designed to please the Christian right, it would largely du-

plicate existing human rights laws, except for a shameful provision making it easier for those claiming religious persecution to win asylum in the United States than for those tortured or threatened with death because they want political freedom.

I have always believed that Americans committed to human rights should follow the advice of in the Soviet Union and the old South Africa. In the past I favored sanctions on China. Now, there are signs of change: much greater freedom of movement, local elections, some lawsuits against authority. I think it is best to follow the advice of Wang Dan and the Dalai Lama.

The New York Times.

LETTERS TO THE EDITOR

Shifting Monetary Sands

Regarding "Solomonic Decision on Central Bank" (May 9):

Reginald Dale is right; it makes little difference whether the Dutch banker Wim Duisenberg or the French banker Jean-Claude Trichet is president of the new European Central Bank. Both are think-alike clones of the German banker Hans Tietmeyer and have amply demonstrated their "independence" by slavishly following every twist and turn of Bundesbank policy. It is disheartening to think that, for the next 12 years, these men will continue to impose on Europe their Faustian bargain: low inflation in return for slow growth, wretched profits, high bankruptcies, and

record unemployment. To paraphrase Queen Boudicca: They have made a desert, and they call it stability.

JOHN RAY.
Fontenay-Trésigny, France.

Something Rotten in the EU

Regarding "Bundesbank Aide Derides 'Lazy' Deal" (May 5):

"Foul" has a double meaning in German; it can be "lazy" or it can be "foul, rotten," depending on the context. The heads of state, after having worked through most of the night, were hardly "lazy" but they certainly produced a "rotten" result.

HORST STRUCKMEYER
Vienna.

Dub, Dub, Dubonnet

Regarding "Behind the Big 'Screen'" (Opinion, April 30):

One of my fondest memories of being a 9-year-old in Paris in the early 1950s involved being taken to a movie studio and being paid the, for me, astronomical sum of \$10 a day (my weekly allowance was a quarter, and Hershey bars cost a nickel) to dub Italian and French movies into English. Usually I was a newsboy shouting, "Extra! Extra! The prisoner has escaped (or been recaptured)!" as screaming headlines of Italian or French newspapers flashed by.

Sometimes, when watching the "Late Late Show" in America I hear my falsetto voice coming back to me.

Dubbing and subtitling are an art, and we boys never understood the appeal of American films that had been rendered into French. I recall a Western of the era in which a cowboy swaggered up to the bar in a saloon and demanded, "Gimme a shot of reudeye." The French subtitle was, "Donnez-moi un Dubonnet, s'il vous plaît."

JAMES S. DICKEY.
Paris.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

BOOKS

THE HACIENDA

A Memoir
By Lisa St. Aubin de Teran. 342 pages.
\$23.95. Little Brown.

Reviewed by Carolyn See

THE author of this beautiful memoir grew up in London, a girl who—in post-'60s whimsy—lied to affect Edwardian fancy dress, swirling maxi-skirts, hats with feathers. Her English mother had been married four times; her South American father showed up periodically to take her on trips. She was only 16, studying for university entrance exams, when she met a handsome Venezuelan in the company of two loyal sidekicks.

The three were persons non grata in their homeland, handsome young men on the run. One of them, Jaime, last scion of the Teran family, asked her to marry him, again and again and again.

When she was 17 she broke down and did it, and her minimalist prose style is so elliptical the reader is left to guess why.

Was it because her often-absent father hailed from South America and that made Venezuela glamorous? Or that she needed a detour in her ordinary life as an English girl? Or was it because of Jaime's tales of where he'd come from—a fairy-tale hacienda in the Andes where his family ruled over hundreds of peasants as absolute gods, and as far as the eye could see in any direction the land belonged to the Teran family?

Or, since Jaime and his sidekicks painted lurid tales of the spectacularly eccentric Teran family, who had been intermarrying since the first one of them had come over to the New World on Christopher Columbus's second voyage, did she sense that she'd be tried by fire in this world he would be taking her to, that she would be forced by events to invent herself as an entirely different person?

After a couple of carefree years wandering around Europe, Lisa is taken to Venezuela by her husband after the government suddenly decided to pardon him. Fantasy suddenly becomes reality. They land in Caracas and make the 10-hour trip to Velera, a rough town where she is mercilessly sized up by hundreds of Teran relatives—who make mean fun of her clothes, insulting her vividly and continuously, unaware that she speaks Spanish.

Then her husband, who was barely speaking to her by then, drives her out to the hacienda. Like a Joseph Conrad novel, the huge house has been taken over by a business, and the couple are forced to live in a dirt-floor shack next to a sugar-cane processor. The gente, the hundreds of peasants who live in conditions of unimaginable squalor, view her with instant distrust and hostility. She's only 19!

Her husband disappears, leaving her alone in the jungle. There is no furniture in the shack, no supplies. For several weeks she does not have enough to eat. She is paralyzed by fear. But by the time

she leaves the hacienda seven years later, she will have earned the trust of the gente, learned to manage the financial dealings of the hacienda, mastered the art of breeding beagles and grafting avocados. She will have had a child and saved her from several life-threatening illnesses. She will have made unexpected friends, kept herself free from the calumny of unfeeling relatives and taught herself to be a writer.

This narrative is, besides many other wonderful things, a treatise on what it was like to be a woman just before modern feminism kicked in.

Thirty years ago, if men wanted to have an adventure, they went exploring or went to war or built big bridges or caught big fish or invented the atom bomb.

Women got married. If they wanted a safe life, they married a safe man. If they

Carolyn See reviews books regularly for The Washington Post.

CHESS

By Robert Byrne

THE grandmasters Vladimir Kramnik of Russia and Alexei Shirov of Spain tied for first place in the Seventh Melody Amber Tournament in Monaco. Each scored 15.7 in the 12-entrant, double-round robin tourney organized by the Dutch patron Joop van Oosterom.

Kramnik is proficient in sharp tactical situations, as he demonstrated in his first-round battle with the Dutch grandmaster Loek Van Wely.

The Semi-Slav Defense, with pawns at e6 and c6, is popular currently and is a particular favorite of Kramnik, so it would not have surprised Van Wely.

The Stoltz variation with 6 Qc2 reduces the immediate value of 6...dc because 7 Bc4 accelerates White's development and the d1 square is cleared for a white rook. But Black is in no hurry.

When Kramnik had Black again in the eighth round against Anatoli Karpov, he did not play 9...b5 at once, but diverged with 9...a6 10 Rd1 b5 11 Be2 Qc7 12 e4 e5 13 g3; after 13...Re8 14 B3 Bf7 15 d6? Ne5 16 Bg5, White had a slight advantage.

The main follow-up to Black's yield-

White
V. Wely
1 d4
2 c4
3 Nf3
4 Nc3
5 e3
6 Qc2
7 Bc4
8 0-0
9 Bc4
10 Bg5
11 Rd1
12 e4
13 g3
14 Ne5
15 Bb5
16 Bg5
17 Bf7
18 Bf4
19 Bc3
20 Kf1
21 f6
22 Kf2
23 Kf3
24 Kf4
25 Kf5
26 Kf6
27 Qd3
28 Rb8
29 Qc4
30 Bb5
31 Rf1
32 Qf1
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INTERNATIONAL

Clinton Tries Again on Mideast

President Directs Albright to Explore New Path With Israeli Leader

By Barry Schweid
The Associated Press

WASHINGTON — Expressing regret over the collapse of plans for a Middle East peace summit meeting, President Bill Clinton directed Secretary of State Madeleine Albright on Monday to meet with Prime Minister Benjamin Netanyahu of Israel in Washington this week to explore the next moves.

Mr. Clinton said the objective of the talks would be "to seek to overcome the remaining differences so that we can proceed immediately with accelerated permanent status talks."

Mr. Netanyahu rejected U.S. terms for a peace conference beginning Monday, but will be in the United States this week on a speech-making trip.

Mr. Clinton said Mrs. Albright will report to him after talking with Mr. Netanyahu, on whether there is any basis for a peace conference in Washington.

Mr. Clinton expressed disappoint-

ment when he announced there would not be a meeting Monday with Mr. Netanyahu and Yasser Arafat, the Palestinian leader, to initiate the permanent status talks.

Mr. Clinton said, "I regret that."

Mr. Netanyahu is to leave Israel on Wednesday for a five-day trip to the United States, and has prepared a media blitz, including interviews with major U.S. television networks.

Mr. Clinton issued his instructions to Mrs. Albright after a meeting with the secretary, the Middle East special envoy, Dennis Ross, and the national security adviser, Sandy Berger. Mr. Ross reported on his unsuccessful efforts to persuade Mr. Netanyahu to attend the planned meeting on Monday.

Mrs. Albright will make her own case to Mr. Netanyahu when they meet later this week.

Mr. Netanyahu refused to accept the U.S. call for a 13 percent pullback in any of the several variations suggested by Mr.

Ross in intensive talks with the prime minister in Jerusalem. Mr. Arafat was willing to settle for 13 percent on top of the 27 percent already relinquished by Israel, hoping later to gain virtually all of the West Bank for establishment of a state.

Jerusalem, however, may be given more time to consider a peace conference.

The Israeli ambassador to France, Avi Pazner, told French radio that May 22 was being considered as a possible new deadline for an agreement. The New York Times reported Monday from Jerusalem that the administration had given Mr. Netanyahu a two-week extension to reconsider his stance.

Mr. Netanyahu, meanwhile, will spend several days in the United States this week to meet with Jewish leaders.

"At the end of the day, in matters of security, it is Israel that must decide, and I think this is the view shared by, frankly, the people of America and I would like to believe also the government of the United States," Mr. Netanyahu said Monday at an international conference of mayors in Jerusalem.

In a possible compromise, Israel would hand over 9 percent of the land now, and the remaining 4 percent would be held "in escrow" by the United States, said a senior Israeli official who spoke on condition of anonymity.

If Israel rejects a compromise, the options for ending the 14-month deadlock between Israel and the Palestinian Authority are unclear.

Clinton Is Standing Tough

Serge Schmemann of *The New York Times* reported earlier from Jerusalem:

Indications were that Mr. Netanyahu was running out of maneuvering room and that Mr. Clinton intended to compel him by the end of the month to make the difficult choice between agreeing to a substantive withdrawal from the West Bank and resuming negotiations, or rejecting the American plan and forcing a crisis with the Americans and the Palestinians.

"We are sticking by the points we laid out," said an American official close to the negotiations. "We agreed to a reprieve to make it absolutely clear we're doing everything we can."

Mr. Netanyahu was certain to use the time he gained to intensify his campaign against Mr. Clinton. On his five-day visit to the United States, he will make the rounds of his supporters in Congress and among American Jews and will give several interviews. The main event on his schedule is a conference of the American Israel Public Affairs Committee, the potent pro-Israel lobby, where he is certain of a rousing chorus of indignation over the administration's presence.

"Tobacco is a big killer," she said. "There's no question about it. The worst part of it is that it can reach children's minds and invite children into something at an age when they don't have a free choice."

In many parts of the developing world, where tobacco firms are big investors, cigarettes do not carry health warnings.

The U.S. health secretary, Donna Shalala, speaking in Geneva, said that stopping the targeting of children by tobacco companies was high on her agenda.

Immediate indications were that Mr. Clinton and Mrs. Albright intend to stand firm this time. The president has already withstood the first onslaught of lobbying on Israel's behalf, including a letter signed by 81 senators and another from the speaker of the House, Newt Gingrich, urging him not to pressure Israel.

Asked if her government might try to

discourage tobacco companies from expanding in the Third World, she said:

"We are not in the business of putting tobacco companies out of business in relationship to adults."

"We will have to tell the world why it is dangerous and give advice on how to deal with it on a regulatory basis because governments have to pass laws like we have done in Europe and the

United States," Mrs. Brundtland said. Her comments suggest that tobacco firms, facing hostile legislation and lawsuits in the West and expanding into developing markets to make up for reduced consumption at home, could find themselves up against a new adversary at the World Health Organization.

Gro Harlem Brundtland, a physician and former prime minister of Norway, said she would fight against the attractions of smoking to children.

Legislation is needed in developing countries and the World Health Organization is prepared to help, said Mrs. Brundtland, 58, who will be formally confirmed Wednesday as the organization's new chief.

"Tobacco has to be fought now because the children and young people are becoming influenced now," she said before the start of the World Health Assembly, where 191 member states will chart priorities.

"We will have to tell the world why it is dangerous and give advice on how to deal with it on a regulatory basis because governments have to pass laws like we have done in Europe and the

United States," Mrs. Brundtland said. Her comments suggest that tobacco firms, facing hostile legislation and lawsuits in the West and expanding into developing markets to make up for reduced consumption at home, could find themselves up against a new adversary at the World Health Organization.

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"We will have to tell

Sensing Is Believing: When Luxury Goes Interactive

By Suzy Menkes
International Herald Tribune

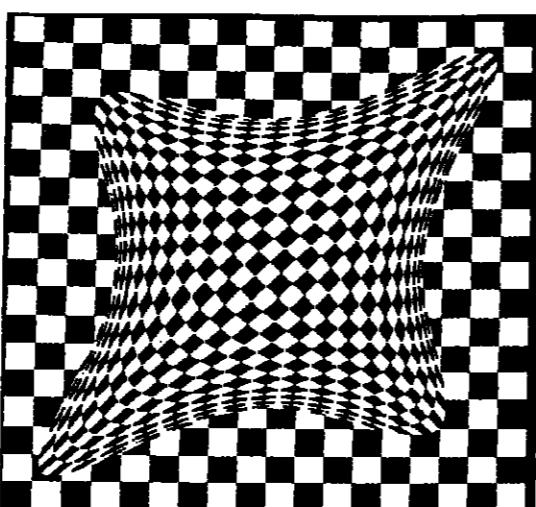
PARIS — With the rocket boost of technology, the French luxury industry has projected itself from the fine linen, shiny silver and rippling silk image of the 19th century into the new millennium.

CLICK! And the ears are filled with sweet music, animal calls, global lullabies — or weird, futuristic tonalities. **LOOK!** And your shadow is silhouetted in rainbow colors. **STROKE!** And the scent of meadow flowers wafts from the neck of a giant phallic-shaped perfume bottle. **TOUCH!** And your fingers rasp against dried-out sponges, squech on rubber tubes, glide over leather or are brushed by fur.

TASTE! But, darn it, those tottering towers of meringue balls and sugared cookies are the few things you are not allowed to touch.

The sensuality of luxury is the subject of an imaginative exhibition that opens Friday at the Palais de la Découverte, a Paris science museum. "Theatre des Sens" ("Theater of the Senses"), until Jan. 3, 1999, is just as it sounds: an exploration of the five senses that make up our complex appreciation of the universe. And that includes our joy in simple natural things or in the most sophisticated upscale products.

This is not an ordinary look-see show, but an interactive and high-tech experience appealing to the Internet generation and the modern-minded. Staged by the



Sight and touch: optical-illusion panel; hands stroking Hermès leather, and child's eyes from the "Theater of the Senses" exhibition.



Comme Colbert



This early part of the show, developed from the research and enthusiasm of Jorge Wagensberg, a Barcelona museum director, was the original proposition for the exhibition, although the rest has been developed by a French team.

You walk through a hall of mirrors and into the sound of silence: a dead space before an intriguing audio assault. Here the language of tonality, with a collection of drum beats and mountain shepherds' whistles. Then a moving moment before global photographs of mother and child, as all their recorded lullabies hit similar notes.

Now the visual stimulation: eyes staring from all around the room and video screens in the center. Touch: Walls of different objects to pinch and stroke. Smell? Everywhere, from animal and herbal scents to the perfumes that rise up to where decorative crystal bottles from the French fragrance houses are perched at ceiling level.

The final scene is a series of groaning banqueting tables with (this being France) real food on display.

"The theme is wonderful, it is about the emotion of feeling a piece of silk, about people wanting to touch and take," said Alain Boucheron, referring to his jewels, each with its own music, designed to express the spirit of stone or setting.

At the show's exit, a series of computers invites you to surf the five senses on the Internet. Luxury as virtual reality? Now that is really cool.

Comme Colbert, an association of French luxury companies, its effect is to surprise, dazzle and even disturb, but ultimately to heighten sensual awareness.

By the time you reach the de luxe products, they seemed to have been dragged literally and figuratively out of their glass cases, so that you perceive them as approachable pleasures, rather than distant objects of worship. That is summed up by the jewelry section, in which rings leap out at you in 3-D projections; or when couture clothes are casually on show behind a veil of tulle

patched with embroidery, or when you make a mermaid-scale gown your own as your face is mirrored above the garment. User-friendly it is.

"It is difficult to describe the exhibition in a few words, because I believe that each visitor will have a different personal experience," said Dominique Heriard Dubreuil, president of the Comme Colbert. "We wanted to portray that extra sensual dimension in appreciating the value of a luxury product, rather than just the savoir faire of the craftspeople. We want to appeal

to children, to their families, and give the entire public this message: 'You have senses, so use them!'''

Although no one quite dares to say so, the aim is really to take the stuffiness out of the luxury business, which has traditionally been surrounded by a quasi-religious aura in France. That is reinforced by snobby sales assistants who often give customers the feeling that they are unworthy to enter such temples of excellence. Hanging Hermès silk scarves for sweaty fingers to stroke is to fly the flag of approachable luxury.



The baker Lionel Poilane, who has published a regional guide to 1,000 French artisans; Alain Ourtani, a fishing-rod maker (top); Christian Bonnet, with tortoise-shell accessories; Karen Waren and her fresh-flower hats; the custom cobblers Pierre and Christophe Corthay (top), and Charles Aincart-Bergara, a maker of sword sticks to presidents and kings.



Jean Layraud

A Show of Hands in the Kingdom of the Crusty Country Loaf

By Suzy Menkes
International Herald Tribune

BIEUVRES, France — It could have been the court of the Sun King, with the artisans displaying their wares: here a sword-stick maker and his silver-tipped, hand-polished canes; there the sleek pungent-smelling leather of the royal bootmaker; precise, fantastically carved sundials; pompons of passementerie.

But one thing is for sure. No one in this upscale crowd is going to shout: "Let them eat cake!"

For this is the kingdom of warm, crusty country bread, where Lionel Poilane, France's most renowned

baker, is launching his latest venture: a guidebook to his country's arts and crafts.

At his headquarters in the countryside outside Paris, Poilane gathered 30 of the suppliers who feature in "Guide Poilane des 1,000 Artisans," a region-by-region compilation of handicraft trades that may go back a thousand years.

Today, what might in the past have been dismissed as peasant culture — just like the rough and chewy country bread — is prized for its individuality and authenticity.

"The quality of life stands by the human quality — and in the sphere of the artisan, you never cut out the human element," said Poilane.

He cites as his favorite craft

the boat builders of Brittany, who have brought back to a human scale the sturdy fishing boats and custom-made yachts — and have seen an exceptional growth in the business of boats "with a soul."

The same individuality can be seen in the hand-made fishing rods of Alain Ourtani, from Chambery, in the Rhônes-Alpes region, who spends 80 hours shaping bamboo canes into finely tuned fishing instruments.

Poilane waxes enthusiastic over lattice-work woven from strips of chestnut wood and compares it to American baskets woven from whalebones in Nantucket, Massachusetts.

The guidebook is dotted with photographs of these

products in use: corn-yellow cane chairs in a sunny garden; wrought-iron gates silhouetted against trees and sky; a cluster of hand-turned pots; fishing rods laid out with tackle and bait, and the artisans photographed in their workshops sharpening knife blades or creating dainty lace.

But what might seem just a rose-tinted view of rural France tool on an energy and immediacy as the artisans, some fourth- or fifth-generation family businesses, others young enthusiasts, showed or demonstrated their crafts. The backdrop was the cathedral-like circular wood store, stacked with logs to feed the bread ovens.

Some, like a maker of hand-carved musical instruments from the Auvergne, were pleased and surprised that their work had been noticed and recorded. Others, like the family Aincart-Bergara, creators of the Makhihi, or sword stick, have already seen their decorative canes used by Ronald Reagan, Pope John Paul II and by a slew of royals and heads of state.

"You would be surprised

how many we export to America," said Charles Aincart-Bergara.

For all of these artisans in an industrialized world, business is on the rise — and often international, however obscure the trade. For just as Poilane's loaves are air-freighted to the United States for 3,000 sophisticated and wealthy customers who crave traditional country bread, so the French artisans mostly work for the world.

Alain de Saint Exupéry had traveled from Aquitaine with massive locks, hinges and keys that look as though they had been wrenched from the door of Sleeping Beauty's castle. Since no ancient lock defies his ability to create the appropriate key, he works as an antique locksmith and restorer for Sotheby's and Christie's.

Although artisans have been selected from throughout France, there is also a strong Parisian showing, making the book interesting even to visitors to France seeking specialists.

For example, the jolly tas-sels, fringes and pompons of the passementerie expert Reymondon, can also be found in a Paris showroom.

On the fashion side, Pierre Corthay displayed not only his hand-crafted shoes, but also the supple leathers and wooden forms from which they are created.

Brides with a taste for the original might be drawn to the creations of Zelia, whose wedding gowns are often inspired by French regional costumes. Or to Karen Waren, whose

of Christian Bonnet from Burgundy, a third-generation oculist and the last in France to create custom-made frames

"because each face has its own personality."

Yves Saint Laurent, Jackie Kennedy and Aristotle Onassis have been on the celebrity list.

Showing photographs of

Yves Guyot, from the

Auvergne, explained how they are used either for ancient buildings, public gardens or just for the home.

"A sundial may seem pointless in the days of clocks and watches, but just think about it," said Poilane. "You can use a sundial to teach your children to tell the time — and to understand the working of the universe. It all depends on how you look at it."

CROSSWORD

ACROSS
1 "Candid" playwright
5 Sings like Tommé
10 Extensive
14 Entre: Prefix
15 "La Campagne de Rome" artist
16 Aware of
17 Utah city
18 Stop on — (neither abruptly)
19 They can be Horatian
20 Slot machines
23 40 winks
24 Scooby— (cartoon dog)
25 Authorized
26 Camier to Oslo
27 Cavardose's love, in opera
28 Sale items, for short
29 I.R.S. visits
30 Globe
31 Chris Evert specialty
32 Bravo
33 They're in a stable environment
34 "You don't mean...!"
35 Generous helpings
36 Orangeish vegetables
37 Boot tubes
38 "All kidding —"
39 Beau
40 Echelots
41 Toward one side of a strip
42 Eliminate
43 Little rascal
44 Secret language
45 Baseball's Mel and others
46 The blabs
47 Bon
48 Wall climbers
49 Org. that called 60's strikes
51 Niger-to-Libya dir.
52 Picnic event
53 Works in the garden
54 Race tracks
55 Wall Street optimist
56 Language written in Persian-Arabic letters
57 Engendered
58 Pitcher Hershier
59 ["You don't mean...!"]
60 Generous helpings
61 Orangeish vegetables
62 Hoodium
63 Wedding dance
64 Unkempt ones
65 Scarlet and crimson
66 Homes on high
67 Goo unit
68 Stuntmaster Kiley
69 Baby talk
70 Skeleton's Kaddishopper
71 New Ageish glow
72 Additions

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DOWN
1 "Begone!"
2 Honker
3 Toward one side of a strip
4 Eliminate
5 Little rascal
6 Secret language
7 "Taj Mahal, e.g."
8 Lieu
9 Kind of doll
10 "The King —"
11 Copy editor's marking
12 Chuck
21 One who blabs
22 — "fast!"
23 "Hey!"
24 Unit of petrol
25 Professor Corey
26 Sing softly
27 Khetumon's land
28 Fred's light-footed sister
29 Move laterally
30 Conductor who studied under Barbirolli
31 Big olive oil exporter
32 Great depression
33 Farm worker?
34 Boot tubes
35 "All kidding —"
36 Beau
37 Echelots
38 Baby talk
39 Scarlet and crimson
40 Skeleton's Kaddishopper
41 Beau
42 Hoodium
43 Wedding dance
44 Unkempt ones
45 Scarlet and crimson
46 Goo unit
47 Stuntmaster Kiley
48 Baby talk
49 Skeleton's Kaddishopper
50 New Ageish glow
51 Additions

Solution to Puzzle of May 11
SLOT PRAM SCALP
LIVE RARE TABOO
AMEN ASIS OBESSE
VERONICA'S CLOSET
ROSA LIT
NAW RELATED LAP
OPART NRA DECA
MARTHASVINEYARD
ACME LAI NEVER
DES COLLARD ESE
RAF ROOT
CHRISTINASWORLD
ROAST DEBT TOUR
ANGEL ERIE ALVA
GEESE SOAR LEST

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MOSCOW ACAPULCO SÉOUL PÉKIN TÓQUIO OSACÀ HONG-KONG

In Malaysia, a Deficit Whose Time Has Come

No More Surplus' Might Mean No Recession

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — During the boom years, the Malaysian government held one thing sacred: There would be no return to the debt-plagued 1980s. For five straight years, it kept its balance sheet in the black, and its budget surplus peaked last year at 6.6 billion ringgit (\$1.74 billion).

With Monday's headlines, however, came a watershed: "No More Surplus."

"We admit that it is no longer possible," Anwar Ibrahim, the country's finance minister, said Sunday.

Mr. Anwar's comments mark a shift from the fiscal austerity that has been preached in Malaysia since Asia's financial and economic crisis started last year. It contrasts as well with the gospel of tight spending that has been preached throughout the region by the International Monetary Fund.

"We need to do more in terms of expenditure to cater for the poor, those most vulnerable due to the economic downturn," Mr. Anwar said.

But the government's likely return to red ink this year amid the region's financial crisis does not have many analysts worried. On the contrary, Malaysian economists said the shift was necessary.

"If the government had dogmatically maintained a fiscal surplus, it would have driven the country into a deep recession," said Jomo K.S., an economics professor at the University of Malaya.

Mohamed Ariff, executive director of the Malaysian Institute of Economic Research, agreed.

"The government here has been obsessed with budgetary surpluses," he said. "They're seen as symbols of fiscal discipline. That makes sense in good times, but at times such as this it doesn't make any sense at all."

Mr. Anwar declined to say how large he expected the deficit to be, but he said it would "not be too huge as to disrupt the stability and the long-term macroeconomic management of the economy."

Mr. Ariff estimated that the deficit would be about 5 billion ringgit this year and said the government could use pre-

vious surpluses to finance the gap.

Mr. Anwar said the spending would be used "to support education, health, poverty eradication and housing" and small and medium-sized companies.

Malaysia's prime minister, Mahathir bin Mohamad, also said Monday the economic slowdown was "crippling

Malaysia's budget," the Bernama news agency reported.

Mr. Mahathir, speaking in Cairo while attending a Group of 15 summit meeting, said the 15 biggest companies in Malaysia were expected to see their profits drop to a total of 1.5 billion ringgit from 9 billion ringgit in 1997.

Until recently, Mr. Anwar, who is also deputy prime minister, had batted hard to produce a sixth year of surpluses. Prodded by the International Monetary Fund, the government slashed spending on everything from large construction projects to stipends for Malaysians studying abroad.

Mr. Anwar's vigor in cutting spending had led analysts to comment that Malaysia — which, unlike Thailand, Indonesia and South Korea, declined to seek IMF help during last year's economic crisis — was implementing an IMF program without the IMF.

"Many of the cuts would probably have pleased the IMF but are in my judgment totally inappropriate," Mr. Ariff said, citing the reduction in education spending. "These are long-term investments in human capital, and this current crisis is just a short-term phenomenon."

Abdul Razak Abdullah Baginda, executive director of the Malaysian Strategic Research Center, said the government needed an "enormous" injection of capital to pull the country out of crisis. "We have decided not to go to the IMF," he said. "We now have to find alternative sources of investment." Deficit spending was one

of the regional economic crisis is not the only reason Malaysia will slip into a budget deficit this year. Oil prices have collapsed and agricultural production has declined because of drought and the haze from forest fires that have plagued the region intermittently over the past year.

See MALAYSIA, Page 17

Thinking Ahead / Commentary

Trans-Atlantic Ties Back in Fashion

By Reginald Dale
International Herald Tribune

WASHINGTON — Trans-Atlantic relations are back at the top of the agenda on both sides of the ocean. As Europe finalizes plans for a single currency, the euro, that could one day rival the dollar, the U.S. Senate has signaled America's continuing commitment to the Old World by approving the expansion of the North Atlantic Treaty Organization into Central Europe.

Europe is making most of the running. The European Union has taken tentative, albeit largely unwelcome steps to gain a say alongside the United States in the Middle East peace process, and the European Commission is proposing a New Transatlantic Marketplace to intensify U.S.-EU economic exchanges.

While much of East Asia remains mired in financial crisis, Europe is well on the way to economic recovery.

Although many of its problems remain unsolved, and efforts to forge a common foreign and security policy seem laughable to many Americans, Europe still looks a healthier partner for the United States than it has in years.

This month in England, President Bill Clinton will meet with Tony Blair, the British prime minister and current EU president, to seek new ways to strengthen U.S.-EU relations.

But while many agree that it needs to

be done, there is much less agreement on how. The prospect of closer trans-Atlantic links, and perhaps of a stronger Europe, are stirring up old differences — some of which surfaced at a conference this month in Istanbul that was called to discuss a new Atlantic initiative to bring the two sides closer together.

A major theme at the conference was the fear that a stronger Europe would almost automatically be anti-American.

There were warnings that the euro would lead to the creation of a protectionist bloc that would be dominated by unelected bureaucrats and that a common European foreign policy could be hostile to U.S. interests, for instance by being too soft on Iran, Iraq and the Palestinians.

Among the antidotes to these ills, it was suggested, could be a trans-Atlantic free trade area and more U.S. input into European foreign policy deliberations.

The implication of this viewpoint, espoused most notably by former Prime Minister Margaret Thatcher of Britain, is that a weak continental Europe is in America's (and Britain's) best interest.

Its antithesis is the belief, most commonly held in France, that Europe can best unite in opposition to America and that it must do so to resist U.S. hegemony. In this view, a trans-Atlantic marketplace would risk Americanizing Europe and undermining European integration.

But while many agree that it needs to



With its provocative covers, *WIRED* has presented itself as the antithesis of glossy, celebrity-filled magazines.

Will New Owners Short-Circuit *WIRED*?

Executives Defend Sale of Brash Digital-Era Magazine to Conde Nast

By Amy Harmon
New York Times Service

NEW YORK — The sale of the pioneering magazine *WIRED* to Conde Nast, a unit of Advance Publications Inc., for a price said to be close to \$80 million, was hailed as a crucial step forward by *WIRED*'s publisher, Diana Lyon, and the editor in chief, Katrina Heron, who assumed their jobs this month.

Ms. Lyon and Ms. Heron said that joining the Advance media empire, which includes *Vogue*, *Vanity Fair* and *GQ*, would help the magazine that defined the digital culture to increase its circulation and advertising revenue beyond what it could achieve on its own. Both of them previously worked at *Conde Nast*.

But the co-founders of the magazine, Louis Rossetto and Jane Metcalfe, have been unavailable for comment since informing the staff late last week of the deal.

After financing the company's on-

line division and paying the venture capitalists who had kept the *WIRED* ventures afloat in recent months, people close to the situation said there would be little cash left for the pair whose vision and persistence created a new genre of magazine where traditional media companies said it could not be done. They are not expected to have a role in the magazine under Conde Nast.

WIRED Digital, which operates several World Wide Web services, will carry on as an independent company.

The on-line company is expected to be profitable by the end of the year, but its drain on the parent company — along with attempts to expand into book publishing, television production and a British edition of the magazine — was a significant factor in the financial problems that led to the sale of the magazine.

With a circulation of 425,000, the magazine itself has been profitable since last year. But the company's poor financial health caused it to can-

cel a planned stock offering in 1996, and it began to seek a buyer several months ago. *WIRED* Digital will retain exclusive rights to license the content of *WIRED* for the digital realm.

The oddity of seeing San Francisco-based *WIRED* — whose existence revolved around thumbing its nose at what it called "dead-tree media" — being sold to the icon of the East Coast media elite was not lost on close followers of the publication.

With its neon-streaked covers, instant use of cyberjargon ("in the techno realm, acronyms like RSI and LCD are as recognizable as the analog world's FBI and CIA," its style guide said) and articles on "Zippies," "Micros" and "The Long Boom," *WIRED* cast itself as the antithesis of Conde Nast's glossy celebrity-filled publications.

"*WIRED* has been a place for truly groundbreaking ideas that could not have appeared any other place," said

See *WIRED*, Page 17

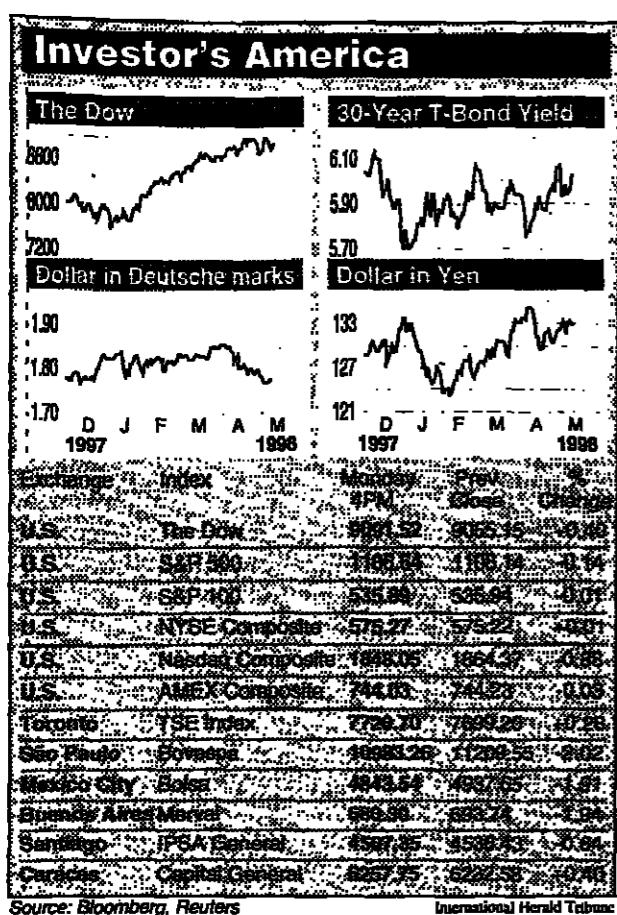


OLD-FASHIONED TEST OF NEW CURRENCY — Finance Minister Dominique Strauss-Kahn of France biting the first euro after it was struck Monday. The mint at Pessac then started to churn out smaller coins. Page 15.

CURRENCY & INTEREST RATES

Cross Rates		May 11										
Currency	Per 1	U.S.	DM	FF	Yen	BP	SEK	DM	Swiss	French	Yen	ECU
Australian	5	1.235	1.227	1.245	1.2147	5.425	1.248	1.279	1.280	1.284	1.278	1.264
Brazilian	24.50	5.918	6.145	2.0157	11.17	24.79	5.935	6.162	6.170	6.175	6.170	6.164
Frankfurt	1.773	2.957	2.864	1.773	1.773	1.773	2.957	1.773	1.773	1.773	1.773	1.773
London (0)	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035
Madrid	1.035	2.045	1.949	1.035	1.035	1.035	2.045	1.035	1.035	1.035	1.035	1.035
Milan	1.035	2.045	1.949	1.035	1.035	1.035	2.045	1.035	1.035	1.035	1.035	1.035
New York (0)	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035
Paris	5.849	9.726	1.232	5.849	5.849	5.849	9.726	1.232	1.232	1.232	1.232	1.232
Tokyo	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035	1.035
Turkey	1.035	2.045	1.949	1.035	1.035	1.035	2.045	1.949	1.949	1.949	1.949	1.949
Zurich	1.035	2.045	1.949	1.035	1.035	1.035	2.045	1.949	1.949	1.949	1.949	1.949
1 ECU	1.035	0.678	1.035	1.035	1.035	1.035	0.678	1.035	1.035	1.035	1.035	1.035
Closings in Amsterdam, London, Milan, Paris and Zurich. Dollars in other centers: New York												
Per one pound: £ 10. To buy one dollar: \$ 1.035. Units of 100: N.G.: not quoted; N.A.: not available.												

Forward Rates		May 11									
Currency	30-day	60-day	90-day	1-year	2-year	3-year	4-year	5-year	7-year	10-year	15-year
Argent. peso	1.235	1.2334	1.2359	1.2359	1.2359	1.2359	1.2359	1.2359	1.2359	1.2359	1.2359
Austrian sch.	1.2477	1.2477	1.2477	1.2477	1.2477	1.2477	1.2477	1.2477	1.2477	1.2477	1.2477
Brazil real	1.144	1.144	1.144	1.144	1.144	1.144	1.144	1.144	1.144	1.144	1.144
Chinese yuan	8.7785	8.7785</									



Rate Stability in Germany Gives a Lift to the Dollar

Compiled by Our Staff From Despatches

NEW YORK — The dollar rose against the Deutsche mark Monday as investors factored in the reduced likelihood of a German interest-rate increase.

Weaker sentiment for the mark began Friday, when Otar Issing, chief economist of the Bundesbank, said he did not share the market's conviction about a near-term German rate increase. His view echoed an analysis given by Hans Tietmeyer, president of the Bundesbank, on Thursday.

"I think that we've seen the bottom for some time," Jerry Gleason, chief dealer at HYPO Bank in New York, said of the dollar-mark rate. "The U.S. economy is uniquely solid, quite different from what we see in Germany."

The dollar rose to 1.7760 DM in 4 P.M. trading from 1.7705 DM on Friday.

But many other traders said the dollar was likely to decline against the mark in coming months amid signs of recovery in Germany and

burgeoning confidence in the euro, which will supplant the mark as Europe's benchmark currency.

"The market is prepared to sell dollars and buy marks with the coming of the euro," said Ralph DelZenero of First Chicago NBD Corp. "There will be more demand

FOREIGN EXCHANGE

for the euro, and it's likely to be a strong currency."

The dollar slipped against the Japanese currency, falling to 132.835 yen from 132.770 yen, amid signs that the Japanese government was moving closer to implementing its stimulus package of 16 trillion yen (\$120.4 billion). On Monday, the Japanese cabinet approved plans for 6 trillion yen in extra spending in the current fiscal year. The dollar was also at 5.9585 French francs, up from 5.9375 francs, and at 1.4842 Swiss francs, up from 1.4800 francs. The pound was at \$1.6293, down from \$1.6365. (Bridge News, Bloomberg)

Sumitomo to Pay \$125 Million Fine

Bloomberg News

WASHINGTON — Sumitomo Corp. agreed to pay \$125 million to settle U.S. charges stemming from illegal copper trading that led to \$2.6 billion in losses, the company and the Commodity Futures Trading Commission announced.

The Tokyo-based trading company agreed to set aside an additional \$52 million to pay restitution for investor losses, the commission said at a news conference, ending an investigation that began in late 1995.

In addition, the company said it was paying \$5 million (\$8.2 million) to the U.K. Financial Services Authority, formerly known as the Securities and Investments Board, to

settle similar trading charges.

The company said it neither admitted nor denied trading violations. The commission said it would not ban Sumitomo from U.S. futures markets, an option that was available.

Sunbeam to Fire 6,400 And Shut Some Plants

Compiled by Our Staff From Despatches

DELRAY BEACH, Florida — Sunbeam Corp. said Monday it would fire 6,400 employees, or 40 percent of its work force, and shut a third of its plants as the maker of mixers and grills slashes costs following three acquisitions and an unexpected first-quarter loss.

Chief Executive Al Dunlap said he expected the moves to save \$250 million a year at Coleman Co., Signature Brands USA Inc. and First Alert Inc., which Sunbeam just bought for \$2 billion. The cuts will result in pretax charges of \$380 million this year.

Mr. Dunlap, known as "Chain-saw Al" for mass firings at companies he has led, is trying to restore his credentials as a turnaround expert after two warnings of lower-than-expected sales cut the value of Sunbeam's shares by half in two months. Yet he disappointed Wall Street again Monday with weak first-quarter results.

"The perception that he can gen-

erate earnings by slashing costs is no longer there," said Bart Wear, a funds manager at Winslow Capital.

Sunbeam shares fell \$2.1875 to \$25.625 in late trading. The shares have tumbled from a high of \$53 on March 4.

The maker of Sunbeam kitchen and home products, Coleman camping products, First Alert smoke alarms and Mr. Coffee machines posted a first-quarter loss of \$44.6 million, reversing a profit of \$20.6 million a year ago. The results included a one-time charge of \$36.8 million for early retirement of debt and compensation expenses for new contracts signed by Mr. Dunlap and two other top executives.

Revenue fell to \$244.3 million from \$253.3 million, mostly on weak sales of barbecue grills.

Mr. Dunlap, who took over Sunbeam in 1996, slashed 6,000 jobs and closed nearly three-quarters of its factories and warehouses before hunting for new businesses.

(Bloomberg, AP)

Very briefly:

• Dell Computer Corp. signed contracts with Unisys Corp. and Wang Laboratories Inc. to provide worldwide service and support to Dell corporate customers, replacing Digital Equipment Corp.

• Sprint Corp. has been charged in a class-action lawsuit with misleading customers about expansion plans for the company's U.S. wireless-phone service. The lawsuit alleges that Sprint and other companies went back on a promise to expand their network nationwide using a technical standard known as Global System for Mobile Communications, or GSM.

• Groupe Publicis SA, a Paris-based advertising company, acquired the U.S. advertising agency Hal Riney & Partners. The price paid was not disclosed.

• AT&T Corp. and negotiators for two unions reached tentative agreement on a contract covering 51,800 workers across the United States.

• Citibank has taken control of the Mexican bank Confia SA, more than eight months after it originally agreed to buy the bankrupt bank, expanding its retail business in the Mexican market.

Bloomberg, HT, Reuters

Weekend Box Office

The Associated Press

LOS ANGELES — "Deep Impact" dominated the U.S. box office over the weekend, with a gross of \$41.9 million.

Following are the Top 10 moneymakers, based on estimates for Friday through Sunday.

Deep Impact	(\$)
2. City of Angels	\$41.9 million
3. Toy Story	\$4.6 million
4. The Thin Red Line	\$3 million
5. Les Misérables	\$2.8 million
6. The Pocahontas	\$2.5 million
7. The Thin Red Line	\$2.5 million
8. The Big Hit	\$2.4 million
9. The Dog	\$2.1 million
10. Sliding Doors	\$1.4 million

DEALS: SBC Offers \$65 Billion for Ameritech Amid a Wave of Stock Takeovers

Continued from Page 1

of 18.45 billion guilders (\$9.25 billion).

A counterpoint to the takeover activity was Du Pont Co.'s plan to spin off as much as 20 percent of the shares in Conoco Inc., the first step in the chemical company's planned divestiture of the oil company. Du Pont's 1981 takeover of Conoco for \$7.6 billion, in which it bid against Seagram, was one of the earliest deals in the long advance of the stock market after the stagflation of the late 1970s. Seagram ended up with a stake in Du Pont, which it sold in 1995, around the time it purchased MCA.

If the SBC purchase of Ameritech goes through, the enlarged SBC would reach U.S. consumers from the West Coast, across its Southern stronghold, through the Midwest and into southern New England.

SBC already owns Pacific Telesis Group, which it bought last year for \$16.5 billion, and it is buying Southern New England Telecommunications Corp., which was not one of the seven spin-offs from the old American Telephone & Telegraph monopoly but is one of the larger of the many independent U.S. local-phone companies. The only one that is anywhere near the size of the Baby Bells, however, is GTE Corp.

The deal would make Bell At-

lantic Corp., the Baby Bell that purchased its Northeast sibling Nynex Corp., the second-biggest local phone company, serving much of the Atlantic coast.

Ameritech has been one of the most active Baby Bells internationally, with \$7.5 billion invested in holdings in Europe such as a 42 percent stake in TeleDanmark AS, 17.5 percent of Belgacom SA, 29 percent of Matav Rt, in Hungary and

20 percent of NetCom ASA, the Norwegian mobile-phone company.

It recently turned a \$1 billion profit by selling its 24.95 percent interest in Telecom Corp. of New Zealand, a company in which Bell Atlantic maintains a similarly sized stake. Ameritech reportedly said it planned to use the proceeds of the sale to expand in Europe.

SBC has a few smaller European holdings, but Bloomberg News reported from London that its purchase of Ameritech would lead to larger investments. It quoted John Clarke, an analyst at Dariwa Europe, as saying that Ameritech's "successful push overseas" is a distinct part of the reason" that SBC sought to acquire the company.

Edward Whiteacre Jr., the chairman of SBC, admitted the offer

would be a tough sell to regulators. "Given the size and significance of the transaction, we expect close scrutiny but ultimate approval from regulatory authorities," he said.

SBC and Ameritech contended that their amalgamation would expand competition because they would be able to reduce prices thanks to economies of scale and to allow other companies that want to provide local telephone services to more efficient support systems.

This logic was lost on the Consumer's Union.

"This merger is extremely dangerous for consumers," The Associated Press

Press quoted Gene Kimmelman, co-director of the consumer group's Washington office, as saying. "It is the inevitable backslide toward monopoly and results from excessive deregulation and weak antitrust oversight."

AT&T Corp. also opposed the transaction, saying state and federal regulators "shouldn't even think about allowing this latest deal to go through until, at the very least, SBC and Ameritech have proven that consumers in their states have a real choice of local service."

The deal also would put pressure on the smaller BellSouth Corp. in the Southeast and US West Communications Group in the Rocky Mountain area to find partners.

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Apple Polishes New Macintosh Operating System

Bloomberg News

SAN JOSE, California — The biggest update for Apple Computer Inc.'s Macintosh operating system since 1984 will be released in the third quarter of 1999, Apple's interim chief executive, Steven Jobs, said Monday.

The system, Mac OS X, is the centerpiece of Apple's software strategy. It marks another step in Mr. Jobs's strategy of scrapping old, complex plans and implementing simpler ones.

Since taking the helm 10 months ago, Mr. Jobs has shut down production of more than 15 products and replaced them with simpler machines.

"We've managed to fix a lot of things in the past 10 months," Mr. Jobs told software engineers at a conference here.

Mac OS X will run applications software written for the current Mac OS 8 operating system with only some of the programs needing "tuning up," Mr. Jobs said.

Apple's stock rose 50 cents to close at \$30.9375.

By Barry James
International Herald Tribune

PARIS — France's largest employer, state-owned electric utility EDF, will slash 6,400 jobs and close some of its power plants as part of a plan to cut costs by \$1.2 billion.

EDF, which generates 70 percent of France's electricity, will close some of its older plants and

switch to natural gas to reduce costs.

EDF, which has 100,000 workers, will also sell some of its power

plants to private investors and

will invest in wind power and

other renewable energy sources.

EDF's plan is part of a broader

effort by the French government

to encourage private investment

in the energy sector.

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U.S. STOCK MARKET DIARY

Indexes

Most Actives

May 11, 1998

High Low Latest Chg. Opt.

Grains

May 11, 1998

High Low Latest Chg. Opt.

Metals

May 11, 1998

High Low Latest Chg. Opt.

EUROPE

France Starts Minting the First Euro Coins

By Barry James
International Herald Tribune

PESSAC, France — A glittering copper shower of coins poured from a high-speed press Monday to turn Europe's single currency from abstraction to reality.

In little more than 3½ years, the coins produced at this plant near Bordeaux will circulate as legal tender from Helsinki to Lisbon as at least 11 European countries scrap their existing money and bring in the euro.

The French finance minister, Dominique Strauss-Kahn, pressed the button that produced Europe's first officially minted euro, a gold- and silver-colored coin with a national French motif on one side and a map of Europe without frontiers on the other.

"In a few years, we will have this money in our pockets, and this illustrates the fact that we are moving to a new, concrete reality for 300 million people," he said.

The euro, which becomes Europe's official currency on Jan. 1, will be equal in value to the present European currency unit, or ECU, an accounting value based on a basket of currencies which on Monday was worth \$1.1099.

A couple of weeks ago, France rocked the European Union by pushing to the brink its demand that the new president of the European Central Bank, Wim Duisenberg, should step down early from his eight-year term to make way for the governor of the Bank of France, Jean-Claude Trichet.

Mr. Duisenberg will remain in office until at least the first half of 2002 to put his signature on the first euro banknotes, and oversee the introduction of the coins, and notes that will soon be pouring out of plants like this all over Europe.

But now that the dispute over his appointment is behind it, France seemed keen to stress its commitment to the new currency by converting its mint to the new coins faster than anyone else and, Mr. Strauss-Kahn said, by enabling companies to conduct all their business with the government in euros starting on Jan. 1.

Making another point, Mr. Strauss-Kahn said the plant in Pessac would shift to a 35-hour week, in two shifts,

with no loss of productivity. The government is seeking to introduce a shorter work week by the turn of the century as a means of reducing unemployment, but also, it maintains, to improve flexibility and efficiency.

In a gigantic industrial endeavor, the largest of its kind ever undertaken, EU governments will produce some 70 billion euros worth of currency. It will take the entire three years to mint and print, store and distribute the currency. The factory at Pessac, a low building with about 30 high-speed presses, will work flat out producing about 12 million coins a day, in eight denominations ranging from one cent to two euros.

After Mr. Strauss-Kahn struck the first euro, German-made presses started churning out one cent coins, which are made of copper-covered steel.

The euro will end the 638-year reign of the franc. In 1360 King John the Good struck gold coins to signify that his part of France was "franc des angles," or free of English domination. Decimal coinage, with a franc divided into 100 centimes, was introduced throughout France by the revolution, giving the country an era of stable money until early part of the 20th century.

In 1958, France introduced a franc worth 100 old francs, which is

the money used today. Since the early 1980s, governments have closely tied the franc to the Deutsche mark, creating the backbone for the new currency. Apart from a few 10-centime pieces, France is no longer producing the franc.

Mr. Strauss-Kahn said that thousands of Finance Ministry employees would start visiting schools next week to explain how the new currency works. The government hopes that this will win acceptance of the euro from a skeptical public before its introduction less than eight months from now. He stressed that during the three-year interim period no one would be obliged to use euros.

Bonn Risks New Bank Dispute With Paris

Reuters

BONN — Germany said Monday it would put forward a candidate to head the European Bank for Reconstruction and Development, risking another dispute with France over a prestigious European Union post.

Commenting on reports over the weekend that Finance Minister Theo Waigel planned to nominate his former top aide, Horst Koehler, for the job, the Finance Ministry confirmed there would be a German candidate but declined to elaborate.

The newsweekly Der Spiegel reported in its latest edition that Mr. Waigel favored Mr. Koehler, the current president of the German savings banks' representative body and a former state secretary to the Finance Ministry.

Spiegel said Mr. Waigel had told Finance Minister Dominique Strauss-Kahn of France of his wish.

The job has been vacant for more than four months since the retirement of Jacques de Larosière of France in January.

The German announcement threatened to open up a new dispute with France a little more than a week after Germany accepted a compromise with Paris over the top job at the future European Central Bank.

Mr. Strauss-Kahn indicated last week that he wanted Philippe Lagayette, the former head of the French state bank Caisse des Dépôts & Consignations, to take over.

Mr. Waigel, speaking to reporters in Leipzig, declined to comment on the reports.

"But it is correct to say that there are people in Germany who are qualified to carry out this important office," he said.

The comments came as the bank opened its annual meeting in Kiev.

Lender's Plans for East

The European Bank for Reconstruction and Development said it would create new financial products and make companies more transparent to help foster market economies in Eastern Europe.

The bank said it would help develop products such as leasing, home mortgages and car loans as well as support programs to encourage deregulation of the region's economies.

Germans' Profit Transfers Under Attack

Compiled by Our Staff From Dispatches

BONN — As more German companies develop into global concerns, the head of the opposition Social Democrats said Monday, businesses that transfer profits abroad to avoid taxes are "unpatriotic."

The official, Oskar Lafontaine, told the Bild newspaper that his party, which hopes to unseat Chancellor Helmut Kohl in the elections

in September, would not accept such a practice.

"If a company uses the advantages here, for example, outstanding skilled workers, roads, etcetera, yet barely pays taxes here, then that's unpatriotic," Mr. Lafontaine said.

The interview coincided with an appearance by the Social Democrats' candidate for chancellor, Gerhard Schroeder, who paints himself

as business-friendly, at a forum with leaders from such companies as Siemens AG and Porsche AG.

The business leaders asked him to clarify his party's tax plans ahead of the election. "So what is the SPD about — cutting taxes to this level or just keeping things the same?" asked Heinrich von Pierer, the management board chairman of Siemens.

(AP, Reuters)

WORLD STOCK MARKETS

Monday, May 11
Prices in local currencies.

Telefers

High Low Close Prev.

Amsterdam AEX Index 1122.85

Previous: 1133.68

High Low Close Prev.

Helsinki Helsinki Central Index 2820.25

Previous: 2827.25

High Low Close Prev.

Hong Kong Hang Seng 18994.27

Previous: 18974.27

High Low Close Prev.

Johannesburg All Shares 8719.54

Previous: 8707.51

High Low Close Prev.

Brussels BEL 30 Index 3077.58

Previous: 3071.58

High Low Close Prev.

Copenhagen Stock Index 247.48

Previous: 247.48

High Low Close Prev.

Frankfurt DAX 3397.49

Previous: 3396.98

High Low Close Prev.

London FTSE 100 Index 4200

Previous: 4199.00

High Low Close Prev.

Paris CAC 40 3318

Previous: 3317.00

High Low Close Prev.

Stocks

High Low Close Prev.

Montreal Industrie Index 2272.72

Previous: 2268.25

High Low Close Prev.

Sao Paulo Bovespa Index 18545.74

Previous: 18547.74

High Low Close Prev.

Stocks

High Low Close Prev.

Taipei Stock Market Index 2271.00

Previous: 2270.84

High Low Close Prev.

Seoul Composite Index 214.38

Previous: 214.38

High Low Close Prev.

Stocks

High Low Close Prev.

NASDAQ

Monday's 4 P.M.

The 1,000 most traded Nasdaq Market securities
In terms of dollar value, updated twice a year.
The Associated Press

12 Month High	12 Month Low	Stock	Div	Yld	PE	100% High	Low/Lated Close
250	184	AT&T	0.00	0.00	12	219	182
270	194	AT&T	0.00	0.00	12	219	182
300	204	AT&T	0.00	0.00	12	219	182
320	224	AT&T	0.00	0.00	12	219	182
340	244	AT&T	0.00	0.00	12	219	182
360	264	AT&T	0.00	0.00	12	219	182
380	284	AT&T	0.00	0.00	12	219	182
400	304	AT&T	0.00	0.00	12	219	182
420	324	AT&T	0.00	0.00	12	219	182
440	344	AT&T	0.00	0.00	12	219	182
460	364	AT&T	0.00	0.00	12	219	182
480	384	AT&T	0.00	0.00	12	219	182
500	404	AT&T	0.00	0.00	12	219	182
520	424	AT&T	0.00	0.00	12	219	182
540	444	AT&T	0.00	0.00	12	219	182
560	464	AT&T	0.00	0.00	12	219	182
580	484	AT&T	0.00	0.00	12	219	182
600	504	AT&T	0.00	0.00	12	219	182
620	524	AT&T	0.00	0.00	12	219	182
640	544	AT&T	0.00	0.00	12	219	182
660	564	AT&T	0.00	0.00	12	219	182
680	584	AT&T	0.00	0.00	12	219	182
700	604	AT&T	0.00	0.00	12	219	182
720	624	AT&T	0.00	0.00	12	219	182
740	644	AT&T	0.00	0.00	12	219	182
760	664	AT&T	0.00	0.00	12	219	182
780	684	AT&T	0.00	0.00	12	219	182
800	704	AT&T	0.00	0.00	12	219	182
820	724	AT&T	0.00	0.00	12	219	182
840	744	AT&T	0.00	0.00	12	219	182
860	764	AT&T	0.00	0.00	12	219	182
880	784	AT&T	0.00	0.00	12	219	182
900	804	AT&T	0.00	0.00	12	219	182
920	824	AT&T	0.00	0.00	12	219	182
940	844	AT&T	0.00	0.00	12	219	182
960	864	AT&T	0.00	0.00	12	219	182
980	884	AT&T	0.00	0.00	12	219	182
1000	904	AT&T	0.00	0.00	12	219	182
1020	924	AT&T	0.00	0.00	12	219	182
1040	944	AT&T	0.00	0.00	12	219	182
1060	964	AT&T	0.00	0.00	12	219	182
1080	984	AT&T	0.00	0.00	12	219	182
1100	1004	AT&T	0.00	0.00	12	219	182
1120	1024	AT&T	0.00	0.00	12	219	182
1140	1044	AT&T	0.00	0.00	12	219	182
1160	1064	AT&T	0.00	0.00	12	219	182
1180	1084	AT&T	0.00	0.00	12	219	182
1200	1104	AT&T	0.00	0.00	12	219	182
1220	1124	AT&T	0.00	0.00	12	219	182
1240	1144	AT&T	0.00	0.00	12	219	182
1260	1164	AT&T	0.00	0.00	12	219	182
1280	1184	AT&T	0.00	0.00	12	219	182
1300	1204	AT&T	0.00	0.00	12	219	182
1320	1224	AT&T	0.00	0.00	12	219	182
1340	1244	AT&T	0.00	0.00	12	219	182
1360	1264	AT&T	0.00	0.00	12	219	182
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2060	1964	AT&T	0.00	0.00	12	219	182
2080	1984	AT&T	0.00	0.00	12	219	182
2100	2004	AT&T	0.00	0.00	12	219	182
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2140	2044	AT&T	0.00	0.00	12	219	182
2160	2064	AT&T	0.00	0.00	12	219	182
2180	2084	AT&T	0.00	0.00	12	219	182
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2220	2124	AT&T	0.00	0.00	12	219	182
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2260	2164	AT&T	0.00	0.00	12	219	182
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Crisis-Prone

Keep Going Up

•Philippine Rivals Agree in Praising Ramos on Economy

By Don Kirk
International Herald Tribune

CAVITE PROVINCE, Philippines — They accused one another of stealing ballots and terrorizing voters Monday, but the candidates from this booming province south of Manila have one thing in common: They are both committed to the economic reform policies of the outgoing president, Fidel Ramos.

The president is my godfather," said Governor Ramon "Bong" Revilla Jr., who was watching the re-

turns in the walled compound that he shares with his father, who was running for re-election as a senator. "When I got married, he was one of my sponsors. I believe in him."

Evidence of the success of the Ramos economic program lies in the new six-lane expressway that runs the 24 kilometers (15 miles) south of Manila to the heart of the province, covering rich farmland and industrial areas bordering Manila Bay.

New shopping malls draw crowds to high-fashion boutiques and mass-market stores, and more than 300

factories fill a special economic zone by Manila Bay.

"More investors are coming in," said the younger Mr. Revilla, who like his father was an action star in Philippine movies. "We are inviting more of them. That is why recovery here from regional recession is so fast."

In the rush to develop this province of 2.1 million people, however, no one has been more instrumental than Johnnie Revilla, a long-time governor who earned his nickname, "The Boss," from the

ferocity with which he ran the political machine that dominated this province until just three years ago.

Mr. Revilla, a real-estate tycoon

with interests in factories, resorts and office buildings, lost that election after making the mistake of opposing Mr. Ramos in the 1992 presidential election.

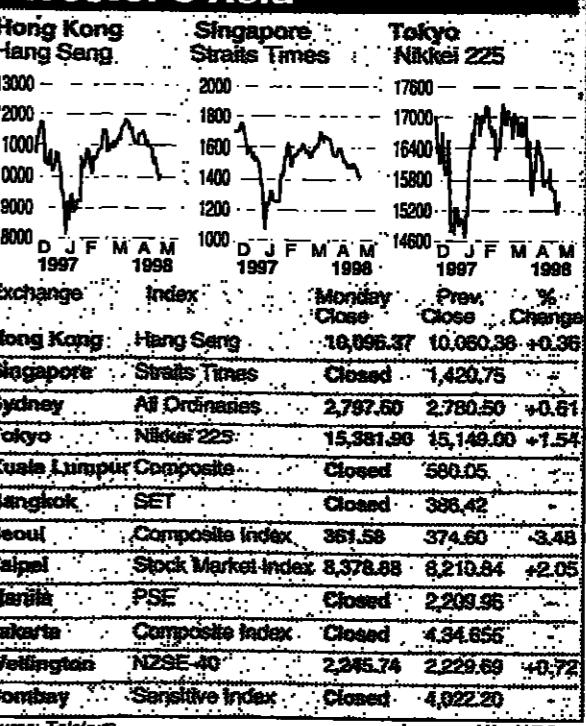
He was defeated by a Ramos pro-

tégé whom Mr. Ramos named to his

cabinet just two months ago so that

the younger Mr. Revilla, then deputy

Investor's Asia



Very briefly:

• China's industrial production grew 7.9 percent from a year earlier, to 608.7 billion yuan (\$73.6 billion), in the first four months of 1998, the state statistics bureau said, compared with growth of 11.4 percent in the like period a year earlier.

• Pizza Hut in Singapore is seeking Muslim religious leaders' approval to try to increase sales, the Straits Times said. The Islamic Religious Council of Singapore said it received an application last week from the company saying Pizza Hut planned to replace the ham in its Hawaiian pizza with chicken and to drop beer from its menu.

• Fidelity Investments plans to challenge Bankers Trust's dominance of international retail investment funds in Australia through an alliance with Perpetual Trustees Australia Ltd., a domestic fund manager and trustee company.

• China has ruled out the possibility of lifting its ban on direct selling in the near future, an official of an American direct-selling company said. The ban, announced last month, has forced companies including Avon Products Inc., Amway Corp., Sara Lee Corp. and Mary Kay Cosmetics to suspend their China operations.

• LG Metal, South Korea's largest electrolytic copper-smelting concern, said it was negotiating with Nippon Mining Co. and others about finding a buyer for the company.

• Haseko Corp., a major Japanese home-builder, said it would prune its payroll 10 percent over the next year to cope with a prolonged decline in housing starts.

• Thailand's rice industry is headed for trouble as more than 2,000 millers have defaulted on loans in the past two months, the newspaper The Nation reported.

• Australian tourism has suffered significantly from Asia's economic crisis, with operators expecting weaker sales and job losses over the rest of 1998, a top tourism official said.

• Suzuki Motor Corp. has not made a decision on possible collaboration with General Motors Corp. in Europe, a Suzuki spokesman said.

AFP, Bloomberg, AP, Reuters

Moody's Cuts Ratings On Big Korean Banks

Compiled by Our Staff From Dispatches

SEOUL — Moody's Investors Service Inc. lowered its debt ratings Monday on the state-run Korea Development Bank and 18 other South Korean banks, dealing a new blow to the nation's struggling economy.

The U.S. rating concern said its action reflected the continuing deterioration of the banks' financial condition.

Moody's cut its long-term debt rating on Korea Development Bank — South Korea's biggest bank — and Export-Import Bank of Korea, which finances trade, to Ba2 from Ba1. The rating for Industrial Bank of Korea, which lends to small and medium-sized businesses, was cut

two notches, to Ba3.

Moody's also lowered its senior and/or subordinated debt ratings and financial-strength ratios on 15 other South Korean banks, saying the country's financial crisis continued to put its commercial banks under "increasing stress."

The ratings action was a new blow to South Korea, which sought a rescue package from the International Monetary Fund late last year that is now valued at about \$57 billion. As part of that deal, South Korea agreed to put its banking sector in order.

Dealers said the cuts in ratings further pressured the Seoul Stock Exchange, which has recently weakened on concerns over labor unrest and regional issues.

The exchange's main index closed Monday at 361.58 points, down 13.02 points, or 3.48 percent.

Also on Monday, leaders of South Korea's biggest conglomerates warned the government not to back down on legislation allowing them to lay off workers, while labor unions were angered by the government's rejection of an application to legally recognize the Korean Confederation of Trade Unions.

"Another round of violent labor protests could spark an exodus of foreign investors," said a local broker who asked not to be identified. (APF, Reuters, Bloomberg)

■ Seoul Seeks 2 More Arrests

Prosecutors sought arrest warrants for a former presidential aide and the former head of a bankrupt car company accused of aggravating South Korea's economic crisis, The Associated Press reported.

The men are Kim In Ho, a former economic aide, and Kim Sun Hong,

"About half of net overseas investment by Japanese might be due to the revision of the foreign exchange law," said Kazuo Uchida, chief strategist at Tokyo-Mitsubishi Securities Co.

The rest was a result of institutional investors buying back foreign securities after selling them to record profit in March, the conclusion of Japanese financial year, he said.

Japanese investors' foreign securities purchases totaled a net 2.84 trillion yen in April, while foreign investors sold a net 250.9 billion yen worth of Japanese stocks and bonds, the ministry said.

In March, Japanese investors sold 951 billion yen worth of foreign stocks and bonds, while foreigners bought 169 billion yen worth of Japanese assets.



Andrew Grove, chairman of Intel, speaking Monday in Taipei.

Intel Sees Taiwan Business Rising 50%

Reuters

TAIPEI — Tapping into the strength of Taiwan's personal computer market, Intel Corp., the American microprocessor giant, forecast Monday that its business in Taiwan would increase 50 percent in 1998.

"Since 1995, Asia has become the PC hub of the world," said John Davies, Intel vice president and general manager of Asia Pacific.

Intel said it expected its con-

tracting in Taiwan to grow to \$240 million this year from \$162 million in 1997.

Intel also announced a donation of 80 Pentium II 400 MHz developing systems to 10 Taiwan software companies. They would be used to develop more Pentium II-supported software.

With Taiwan's huge production of motherboards, graphic cards, scanners and notebooks, Mr. Davies said Taiwan was "a huge piece of the market."

a former head of Kia Motors Corp. Kim Sun Hong was accused of diverting 30 billion won (\$21.6 million) in company funds to purchase Kia stocks to maintain his managerial rights. He also was charged with illegally demanding that Kia

Motors guarantee 400 billion won in debt incurred by several of its subsidiaries. A former finance minister, Kang Kyong Shik, already has been charged with worsening South Korea's economic crisis by ignoring signs of its arrival last year.

Malaysia to Lend \$250 Million to Indonesia

Compiled by Our Staff From Dispatches

CAIRO — Malaysia will lend \$250 million to Indonesia to help it overcome the fallout of the Asian financial crisis, Saiddiibah Mursid, an Indonesian minister of state, said here Monday.

The aid is designed to bridge the gap until the next installment of Indonesia's IMF bailout package arrives, said Mahathir bin Mohamad, prime minister of Malaysia. Indonesia will repay the loan once the International Monetary Fund releases the balance of its rescue package.

Mr. Mahathir is attending a summit meeting of developing countries in Cairo. President Suharto of Indonesia is also attending.

"We try to help as much as we can,"

Mr. Mahathir said. "We cannot interfere in our neighbor's affairs but we will help as much as we can. We also want to know what else we can do."

When Mr. Mahathir said last week that Malaysia was considering an additional loan to Indonesia, the suggestion triggered protests from an opposition party.

"How is it that there is enough money now to rescue Suharto while waiting for the IMF to deliver its loans to Indonesia?" said Syed Husin Ali, chairman of the tiny Malaysian People's Party.

"If the ordinary Indonesian people are not going to benefit, then it is much better for the additional loan to be scrapped," he said. "Is it not more useful to help the ordinary people in Malaysia?" (APF, AP)

WIRED: Brush Digital-Era Magazine Joins a 'Dead Tree' Empire

Continued from Page 13

Jon Katz, who writes a media column for Hotwired, Wired's on-line publication. "The question for Conde Nast is, can they leave it alone, or will they force it into the mold of their other achingly hip, sweet-smelling, narcissistic magazines?"

But Ms. Heron, who worked at The New Yorker and Vanity Fair before her stint at Wired, said the acquisition was consistent with the new direction the magazine had been seeking.

"In the beginning, Wired had to scream and rant and rave, partly because no one knew what we were talking about and partly because it was a way to get attention," she said. "We don't need to proclaim a revolution anymore. What I'm interested in doing is taking this magazine, which has built a great brand, but not the ability to promote that brand, and take it to the next level. Getting this kind of recognition from someone like

S.I. Newhouse will help us do that."

Ms. Heron said Mr. Newhouse, whose company was already an investor in Wired, called her Friday morning to express confidence in the magazine and to assure her it would remain in San Francisco.

"We have long admired Wired for its innovative approach to publishing and its strong editorial voice," the media magnate said in a statement. "We look forward to working with existing management to grow the magazine further."

Mr. Newhouse made a last-minute offer for the magazine just as plans were being completed to sell it to Los Angeles-based Miller Publishing, the owner of Spin and Vibe. Analysts said the acquisition would help Advance expand its reach into a new market.

"I suspect," said Martin Walker, chairman of Walker Communications, a publishing consulting company, "they've come to realize they've pushed

beauty and fashion magazines, so they're stretching for new ideas. But there may be some culture clash. Those people don't care whether they're wearing Chanel originals. That's not one of their motivating forces."

Wired put out its first issue in January 1993, just as the Internet began to get trendy. It drew criticism for its relentless utopianism and its boosterism for the technology industry that supplied many of its advertisers. But it also inspired a generation of digital entrepreneurs, attracted consumer advertisers such as Volvo AB and Absolut Vodka and won a National Magazine Award last year for general excellence.

"There would be no cyberbusiness, no cybersociety without Wired," said Michael Wolfe, author of "Burn Rate," an account of the Internet boom of the 1990s soon to be published by Simon & Schuster. "I can't tell if this is the end of Wired or a new chapter for Wired and for this whole business."

MALAYSIA: Budget to Slip Into Deficit

Continued from Page 13

"We're talking about a collapse in the revenue base for the government," Mr. Jomo said. "Many companies will probably not be paying much income tax at all this year."

Another factor is that, in recent years, sales of government assets such as power and telephone companies greatly contributed to budget surpluses.

But, given the depressed state of the financial markets, the government cannot easily turn to asset sales to raise revenue.

And then there is the issue of pride. Malaysia wore its growth rate and budget surpluses as a badge of honor during the boom years.

"It's not even a question of pride any more," Mr. Razak said. "We've lost that already."

■ Minister Chastises Foreigners

A senior Malaysian official accused foreign analysts Monday of spreading

rumors about the country's economic health. The Associated Press reported.

The primary-industries minister, Lim Keng Yik, charged that foreign analysts, some of them working for credit-rating concerns or the mass media, had an agenda of their own aimed at financial and political gains, the Bernama news agency reported.

"The people need to be aware of this and not to react to the economic turmoil by looking inward and start arguments within ourselves," Mr. Lim said. He did not elaborate.

With its financial markets in turmoil and the ringgit down by 40 percent since last year, many Malaysian leaders have blamed currency speculators, analysts or the Western press for some of the problem.

Last week, Mr. Mahathir criticized Standard & Poor's Corp. for lowering

**On June 8th,
the International Herald Tribune will publish
a Special Report preview of**

The World Cup

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Rob Hughes, the IHT soccer columnist and one of the most provocative writers on the sport, will look ahead to the five weeks of twists and turns to the World Cup Final, examining the contenders and pretenders.

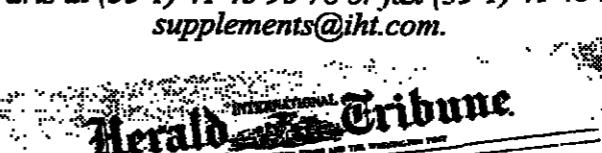
John Vinocur, the IHT's Chief Correspondent and a lifelong student of the game, will look beyond the corner kicks to the metaphor that soccer has been and remains, a point of cosmic global spectacle.

Christopher Clarey, the globetrotting IHT sportswriter, will bring his pinpoint descriptions to the report, looking at the hosts, an international team for an international event and a symbol of the French melting pot.

Patricia Wells, the IHT's renowned restaurant critic, and **Barry James**, a veteran IHT correspondent, will team up to offer visitors a touch of history and a taste of smart touring and dining tips for all of the World Cup host cities.

The Special Report will also include a full schedule of World Cup matches throughout France, with an accompanying map, and a concise guide to the television stations around the world planning to broadcast World Cup matches.

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Private Banking

Trusts Cast Off Fusty Image

By Barbara Wall



David Chambers said that more people are using charitable trusts.

MANCHESTER — If the mention of trusts and trust funds conjures up images of old money and bespoke private banking arrangements for the truly wealthy, think again. Trusts can be a useful and cost-effective financial planning tool for individuals with modest fortunes who wish to preserve family assets and ease the settling of their financial affairs after death.

Carlyn McCaffrey, a partner in the New York law firm Weil, Gotshal and Manges, suggested that middle-class clients with a net worth of \$100,000 to \$200,000 could consider setting up a trust fund as part of their general financial planning.

However, she said, many people fail to take action because they are afraid they might lose control over the trust assets and impose too many restrictions on beneficiaries.

"While some of the old-style trusts were inflexible, modern trusts are more imaginative and user-friendly," Ms. McCaffrey said. "One type of

trust that is gaining in popularity is the life-time, or spendthrift trust. This arrangement makes sense for parents who do not want their offspring to have immediate access to their inheritance."

"The power to appoint trustees and to act as a co-trustee gradually devolves to the beneficiaries, allowing them the same control over the un-

derlying assets as if these assets were passed on in a will."

Another advantage of the trust, Ms. McCaffrey added, was that if one of the beneficiaries got into financial difficulties, creditors would not be able to make a claim on the trust assets.

David Chambers, chief executive officer of Merrill Lynch Trust Company in New York, says he has noticed an increase in the use of charitable trusts, in which the settlor leaves a capital sum to charity and holds the income in a trust fund, or vice versa.

"Charitable trusts have proved popular with clients who want to leave charitable bequests and hold appreciated securities which they want to cash in to provide a regular income," he said. "If the securities were rendered in the client's own name, the proceeds would be hit by capital gains tax."

Another type of charitable trust leaves the income to charity and the capital sum remains in trust. If the capital sum is left to beneficiaries in a

Continued on Page 20



Vicente Araneda

Riding Crest of Equity Wave

Europeans Clamor to Up Ante in Stock Portfolios

By Sharon Reier

PARIS — As European stock markets rocket upward, private bankers from Zurich to London say they face a growing challenge to keep clients' feet on the ground.

Traditionally, European clients "had a different risk anticipation of the stock market than U.S. clients," said Marcus Bischofsberger, office manager at Merrill Lynch Private Bank in Zurich. "U.S. clients learn very early about the markets when they go to school. In Europe, that education process is just beginning."

When Mr. Bischofsberger left for assignment in the United States several years ago, he said, Europe had few television programs that dealt with markets. When he returned several months ago, "they were all over the place."

As little as two years ago, said Carlos Perez-Parada, senior investment executive for Europe, Middle East and

Africa at Chase Manhattan Private Bank in Geneva, a typical conservative customer had all his financial assets in bonds and money-market equivalents, and was looking for total returns on time deposit plus a few points.

A transition has meant the same conservative clients now put 20 to 25 percent of his assets in equities. "We don't see people as getting euphoric," cautioned Otto Waser, head of investment research at Bank Julius Baer Private Banking. "But people who would normally say 'no more than 30 percent of my portfolio in equities' are now willing to accept 50 percent in equities easily."

Temptation is everywhere. Mr. Bischofsberger said, "Clients see how stock markets have performed in the last two years and guess it will go on this way, and even if they are only rising at half this rate they will make money."

Since autumn, the European markets' gains have been "almost uninterrupted."

Meanwhile, Italian, Spanish and Portuguese investors who have been accustomed to double-digit returns from bonds, are now seeing yields shrink to 6 percent.

Of course, European stocks have had their heady moments before. But according to Mr. Perez-Parada, recent client behavior during adverse market conditions shows a definite attitude change. He cited as a litmus test the Asian crisis. In the past, he noted, after the coup in Russia or when there was a rift over Economic and Monetary Union, clients dashed out of equities. They were viewed as purely speculative. "This

Continued on Page 20

Treading gingerly for Asian Assets

By Thomas Fuller

KUALA LUMPUR — Private banks in Asia have taken on a new job in the last few months: helping rich European and American clients pick through bargain assets amid the rubble of the region's economic crisis.

Devalued currencies, plunging property values and the emergence of a cash crunch at once-thriving companies have created, in theory, a shopper's paradise for foreign buyers.

David Cripps, senior portfolio counselor at the Hong Kong office of Citibank Private Bank, says his bank has helped clients from Europe and the United States look at hotels and private companies of all sorts in Hong Kong.

as real estate, and portfolio investments, such as stocks and bonds.

"I've had many calls from people asking if it's already time to invest in Asian financial instruments," said Juerg Kiener, chief investment officer in Singapore for the Asia-Pacific region at Union Bancaire Privee, a Swiss bank.

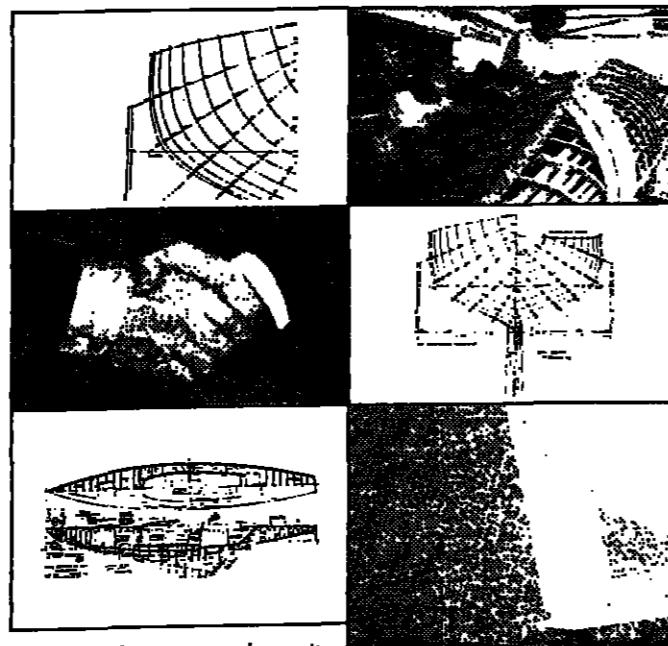
"A lot of Latinos who've gone two or three times through boom-bust cycles are willing to bet on Asia and are looking for opportunities. But a lot of them are frustrated when they start seeing where the valuations are."

One such valuation is the price-earnings ratio — the price of a stock divided by the most recent profit per share. Mr. Kiener said that while markets in Latin America during the bust cycle dropped

Continued on Page 21

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PRIVATE BANKING / A SPECIAL REPORT

In Latin America, New Wealth Shakes Out Old Family Habits

By Aline Sullivan

NEW YORK — As their Asian and Middle Eastern clients retrench, private bankers are turning to Latin America, where stable economies and rapidly growing markets are encouraging investors to shed some of their conservatism.

"There has been a huge increase in wealth levels, particularly in Brazil, Argentina and Chile, but also in some of the smaller markets," said Edward Montero, the Latin American division executive at Citibank Private Bank in New York. "Even Mexico is starting to grow again after years in the doldrums."

Indeed, high net worth investors in Latin America will account for \$3.8 trillion, or almost 17 percent, of the total wealth held by individuals with investable assets of more than a \$1 million by 2000, predicted Merrill Lynch and the London-based management consultancy Gemini Consulting in their 1998 World Wealth Report published in late April. That compares with just \$2.5 trillion, or 14 percent of the total last year.

Bankers attribute much of this growth to a surge in stock market listings among family firms in Latin America eager to take advantage of high share values.

"There is a lot of nostalgia, particularly among the older members of the families, but the younger generation sees the success of the privatizations and wants to cash in," said a Miami-based banker who asked not to be identified. "It can be sad for the families, but it is certainly great for us."



Photo: Ken Follett/The Washington Post

The locale is Buenos Aires but the ambiance is European. Inset, graph shows Latin America's rising affluence.

At the same time, the economic environment in much of the region is encouraging entrepreneurs. Governments are selling state-owned companies whole or in substantial chunks, eliminating export taxes, reducing trade barriers and opening up the private-banking sector.

Not surprisingly, Latin America has become the fastest-growing region for

many private banks. "Europe is over-banked, Asians are repatriating their money, and Middle Eastern oil prices are not what people in that region would like," said Stephen Owen, a manager at Brown Brothers Harriman & Co. in New York. "But in Latin America we are seeing a lot of new wealth being created."

This new wealth is accompanied by a

degree of new confidence. For decades, Latin American investors who have high net worth have been eager to get their money out of their countries and into their region. They considered their home and businesses more than ample exposure to their volatile economies and were interested only in the most conservative and discreet U.S., European and offshore investments.

"Capital preservation has always been the ultimate goal of most Latin American private banking clients," Mr. Owen said. "They can not tolerate negative returns. They say: 'Here is \$5 million. Don't lose it.' They want to feel that if things get sticky at home they can leave and live on their \$5 million in the United States."

Today, however, there appears to be a new willingness among some clients to keep at least part of their money at home. Onshore investment is growing in popularity as governments try to create a more favorable tax and regulatory environment.

In Brazil, for instance, investors have recently been allowed to invest more freely abroad. As a result, traditional, lower-yield and lower-risk investments in bank deposits and bonds are falling from favor as their returns decline while equities are growing in popularity.

"These investors are now interested in a broader array of products, including some of the paper investment products of their home countries," said Mr. Montero of Citibank. "Their decisions have always depended on economic conditions and, although offshore investments remain crucial, they are now choosing to also reinvest in their own country and region."

Diego Polenghi, head of the Latin America division at Credit Suisse Private Banking in New York, seconded that view. "It's a brave new world in Latin America," he said. "Today's clients aren't carrying the heavy inflation burden of their fathers and grandfathers, so they have a much longer investment horizon and a much greater confidence in their own economies, particularly in

Brazil which is the engine of the region."

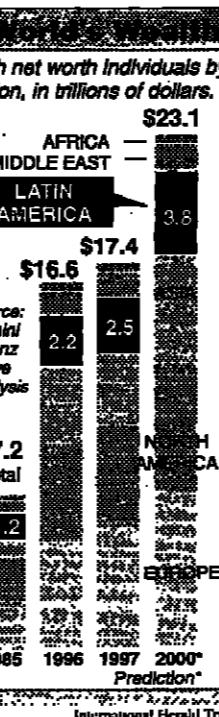
Rosario Perez, the Latin America market manager for Chase Manhattan Private Bank in New York, observed that private investors are expanding their view not only by choice but also by necessity. "Clients in Latin America are facing increased industry consolidation and intense global competition. This has changed the way they view financial services providers."

"They have shifted from traditional, offshore private banking products to integrated, global solutions which address a complex set of business and personal needs," Ms. Perez said. "Ideally, they want these solutions delivered by a single global provider who can advise them on regional and global issues ranging from tax and regulatory reform to the latest alternative investment opportunities."

THAT is good news for banks in the United States, several of whom are winning business in the region away from their European — mostly Swiss and Spanish — and local competitors. "When business is good, the Latin Americans want dynamic partners who will be able to focus on their total balance sheets, not just the offshore portion," Mr. Polenghi said.

"These are perceived to be American European banks, which have a more conservative image, do better when their clients are suffering."

ALINE SULLIVAN is a free-lance journalist based in Greenwich, Connecticut.



International Herald Tribune

After Cold Shower, Asians Take Shelter Under High-End Umbrellas

By Philip Segal

HONG KONG — The better part of two generations of wealth has gone up in smoke in many Asian countries over the past six months, yet to hear the private bankers tell it, the competition was always the worst affected.

Industry analysts seem to agree that Asian investors are giving private banks a vastly diminished pool of funds under management compared with a year ago because many rich clients had to dip into savings to prop up failing businesses. "They set it aside for a rainy day, and it started pouring," said a trust lawyer in Hong Kong.

Asia's wealthy are also waking up to the need to diversify their holdings, the

analysts say. In addition, as Japan's increasingly shaky economy lurches toward recession, deflation, or maybe collapse, there has been a flight from Asian institutions and toward entrusting more wealth to Western banks.

"People are running to both the Citic and Chases and the Julius Baers," said Mark Kantor, an international finance partner in the Washington office of the law firm Milbank, Tweed, Hadley & McCloy, "but you won't see many of them running to the Japanese institutions as they would 10 years ago." Flight money is coming mostly from local institutions, especially in countries with decimated financial sectors such as Indonesia and Thailand.

The bigger imponderable is: Where within the higher-quality bracket is the money tending to land?

The need for diversity and a truly global presence is the tune Citibank and

the other giants have been trumpeting for several years. So as the biggest and most global, why would Citibank — soon to be much bigger as the new Citigroup after its merger with Travelers Group — or Chase Manhattan ever lose out to smaller European outfits?

A longer tradition of private banking and more personal service is one reason. Another, according to a Hong Kong-based head-hunter with a financial industry practice, is less talked about: "If you're an Asian with a green card or an American passport, you won't go to a U.S. organization if you're looking to put some of your wealth offshore," he said. "Asians don't always declare all assets or income."

Yet for those who do, a Philadelphia-based trust law specialist said, there has been a definite movement into the United States. "Among clients who have come to live in the U.S. who had offshore funds, the tendency has been to move into U.S. trusts and to use U.S. advisers," said Stanley Joffe, who runs the international trusts and estates group at the Cozen and O'Connor law firm.

Country of domicile aside, there is another downside to a bank or brokerage that claims to be a one-stop shop in wealth management: the suspicion that the private banker is pushing in-house products that may not be best-suited to a particular investor, but may earn the banker a fatter commission than an outside mutual fund or customized option.

The big-is-not-always-best approach is emphasized by one of the newer private banks operating in the region, Banco Santander Suisse HK, a Swiss bank owned by a Spanish one, Banco Santander. "As private bankers, we try to detach ourselves from the rest of the institution," said Manuel Alvarez de Toledo, the bank's chief representative in Hong Kong. Customers are not pushed into investment products and appreciate the choice, he said.

BECAUSE they are moving a greater share of their assets out of the region, Asian investors are more in need of a trusting relationship with their bankers. Before the crisis, about 80 percent of money managed in Asia was "advisory," meaning bankers simply followed the instructions their clients gave them.

Today, bankers say they are given

greater leeway to manage because Asian millionaires who know their own backyards realize they are in the dark when it comes to buying stocks or bonds in Europe and the United States.

Ms. Wong at HSBC said that her clients' assets — businesses and properties — were now about half in Asia, half out of the region. That still means those assets remain overly weighted in Asia, not including Japan, which is a model global portfolio is no more than 10 percent.

Not everyone is convinced that Asian investors have learned their lesson. "If in two or three years we were to see a strong equity market in the region, they'll go back to the same problems as in the past," said Mr. Alvarez at Santander.

More optimistic is Bank of America's Mr. Moody. For him, the crash in Asia may not necessarily have brought a huge increase in business, but will prove to be "a positive thing in the long term."

"It's going to breed better-educated investors," he said, "which helps to create more perfect markets."

PHILIP SEGAL is a special correspondent for the International Herald Tribune in Hong Kong.

Global Private Banking

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Europeans Ride Equities Wave

Continued from Page 19

time instead of rushing out the door," he continued. "European clients said: 'Asia is very small. It is a buying opportunity. The market is overreacting.'

What distinguishes private banking clients from ordinary European savers who are beginning to shift to an equity culture? "Small investors in Europe are primarily using mutual funds because of fiscal treatment — tax advantages — and they don't have enough money to diversify," Mr. Perez-Parada said. "At private banks like ours, we do individual equity selection."

And equity advice for private clients often differs substantially from recommendations to large institutional clients. "When you are dealing with institutions," Mr. Perez-Parada said, "the bottom line is performance. When you deal with private banking clients, perception is very important. Private clients have to understand the rationale. Why are we invested in certain sectors. For instance, we are very positive about the banking sector in Europe and the European mobile phone

business. There is recognition there. They feel comfortable owning these names."

But while clients are enjoying substantial gains on their stock portfolios, it is the duty of the private bank to prevent clients from getting a bit too comfortable. "Discipline is important," Mr. Bischofberger asserted.

When the client comes to the bank, we make a proposal for a tailor-made wealth creation program. We are going to have a strategy and to stick to a given strategy and show continuity. They are not used to down markets and it is a big responsibility. It is important to keep the clients' feet on the ground."

The benefit in the disciplined approach is that it prevents euphoria when stock markets rise and depression when they fall. The tactic may prove even more effective during a bear market.

"Even if you are negative on equities, and your investment profile says you should be 40 percent in equities, then if you stay in you won't miss a bull market on the way up," Mr. Waser said. "If you don't have this discipline, everyone

would be saying when the market goes down, 'I want zero in stocks and when it goes up I want everything.'

But if private banks are selling a disciplined approach to risk, and are increasingly segmenting clients into different risk groups, how can prospective clients measure a private bank's actual stock-picking performance?

At Barclays Private Banking, Mr. Russell explained: "There are no industry comparisons for a number of reasons. The Swiss will bandy about privacy laws. If we talk about British offshore clients there are tax considerations that will make the results on one portfolio different from another."

Nonetheless, many private banking customers search for some standard of performance. "Clients are comparing company performance across banks," Mr. Perez-Parada said. But to do this they must use their own resources. "Perhaps they may have friends at other banks," he suggested. As usual, it pays to have rich friends.

SHARON REIER is a free-lance journalist based in Europe.

Trusts Cast Off Old-Style Ways

Continued from Page 19

will, it will incur estate taxes. With the trust set up, however, these taxes are avoided, Mr. Chambers said.

While many of the large U.S. banks and trust companies have lowered their minimum thresholds in recent years from \$2 million to \$500,000, setting up a trust fund is still expensive. Even the newer providers, such as the brokerage houses Fidelity and Merrill Lynch, charge an annual fee of 1 percent for administering a trust. Although Merrill Lynch accepts business from clients with trust assets of just \$100,000, there is still a minimum fee of \$2,000 a year.

As well as trustee charges, there is the cost of drawing up the trust document. Lawyers' fees for this service start at about \$2,000.

Settlers can act as their own trustees or appoint a family member to the position, but the do-it-yourself approach is becoming less common, according to industry analysts, largely because of the introduction two years ago of the Prudent Investor Act, which still has to be enacted in some states.

"Family members are increasingly reluctant to act as trustees," said James Cornell, senior vice president of Fidelity Trust Services, "as they are now held to be personally liable for all decisions relating to trust management. As a result of the act many financial advisers and lawyers are also withdrawing from the business and referring clients to traditional trust service providers."

SOME settlors may have no option but to appoint a corporate trustee. Those with assets and property in several jurisdictions, or who live in a nontrust jurisdiction, such as France or the Middle East, may well be advised to consider an offshore trust company.

Keith Turberville, a spokesman for Guinness Flight Trustees in Guernsey, said that tax planning was still the motivating force behind the establishment of many offshore trusts, but that an increasing number of people were setting up trusts because they did not want to be subjected to forced heirship rules in the country in which they were resident.

Unfortunately, litigation against offshore corporate trustees has increased

dramatically in recent years. For example, in Jersey there is a three-year backlog on legal actions getting to court. More worrying still is the fact that many trustees have lost the cases that have been brought against them.

"The trustees should be able to survive a challenge brought by a disgruntled heir or beneficiary provided the trust has been properly administered," Mr. Turberville said.

Paul Stibbard, a London-based lawyer with the legal firm of Baker and McKenzie International, said that most professionals would happily sell clients a trust, but it is the settlor's responsibility to be clear about the objectives of the trust and to seek advice on tax matters.

"Settlers are generally concerned about security arrangements when they place money offshore, and so they opt for a household name to act as trustee in the belief that they will get a more professional service," he said.

"Unfortunately," he added, "even the large international banks can make a pig's ear of trust administration."

BARRA WALL is a journalist specializing in personal finance.

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PRIVATE BANKING / A SPECIAL REPORT

AQ & A / Maria Elena Lagomasino

Knowing a Customer: Main Key to Success

Performance, Not Preservation

Maria Elena Lagomasino is the senior managing director of Chase Manhattan Private Bank in New York, the largest U.S.-based private bank and the fourth-largest in the world, with more than \$100 billion in assets under management for wealthy individuals. After a stint at its cross-town rival, Citibank, Ms. Lagomasino joined Chase in 1983 and was appointed head of the private bank last year. She spoke with Conrad de Aenlle about a traditional, genteel, business that has suddenly grown more complicated and competitive.

Q. More institutions are getting into your business — not just banks, but brokerages, fund managers and independent advisers.

How will you be able to satisfy customers, who can take their millions and go elsewhere, and also board members, who can ask you to go elsewhere if you don't consistently generate a 20 percent return on equity?

A. I don't think you can win doing the things you did 20 years ago, when banks were a place you went for capital preservation, not performance. Bottom line, you satisfy your customers and retain their business by thoroughly understanding their whole financial picture, both personal and business, and by delivering fresh ideas and innovative structures that really add value.

There's going to be a huge consolidation in the private-banking industry. There's a lot of fragmentation: The biggest market share is UBS-SBC, but even their share is small. The four biggest banks have only 7 percent of the market between them.

The key is not going to be what products you have — there are a lot of players out there that have similar capabilities.

The future is going to be understanding certain customer sets more than anybody else and customizing products for those customer sets, not trying to be all things to all people.

Q. By some accounts, you were brought in to shake things up because Chase's private-banking business was not growing as fast as management had hoped. What measures have you taken so far and what needs to be done?

A. I told senior management there was

an opportunity here to become the market leader, but to get there it's going to mean doing more of what we do well, and that's what I'm going to do. Market leadership comes from very high degrees of leverage. We have a 70 percent share of middle-market companies in the tristate area (New York, New Jersey, Connecticut).

Most of those businesses are privately owned and a good chunk are privately owned by one wealthy individual who is already happy with the bank, and we already know his balance sheet. Our ability to get leverage and grow our client base is tremendous. We use the same approach globally. We've had 30 percent growth per year in Latin America for two years. We're not knocking on doors, they are already our clients.

We also leverage around products; if we take all the capabilities of the bank and offer them to clients around specific problems they have, or opportunities, we can have a tremendous growth rate.

Q. You suggested earlier that investment performance had become a more critical aspect of private banking. Why, then, was your division recently decoupled from Chase's asset-management operation?

A. Asset management is a product. If you look at some companies, the role of the private bank is as a gatherer for asset management. It doesn't make sense to put a client business, buying products from the whole company, with a product business.

Q. Because asset management is becoming such a competitive field, are you relying more on such exotic products and services as derivatives, commercial banking facilities and private-equity investment to attract business and boost returns?

A. As a direct result of changing client needs, we have experienced significant revenue growth in recent years from these types of products. Many of our clients are now seeking alternative ways to invest their money as part of their overall asset-allocation strategy. In this context, traditional asset management is only one option.

Q. One trend in private banking is toward domestic arrangements, rather than offshore, a result of such factors as



Maria Elena Lagomasino: Shaking up the private-banking business.

Is Bigger Better? Ask the Dinosaur

By Conrad de Aenlle

LONDON — When Travelers Group and Citicorp announced plans to merge last month, traders on Wall Street tacked about \$30 billion onto the value of the two companies in a matter of minutes. The ravenous desire to own the banks' shares — and those of several others that may or may not be merger candidates — was driven by two Big Ideas in banking.

One is consolidation — the sloughing off of duplicated staff, facilities and operations — which has resulted in significant cost savings in other financial-service mergers. It is very likely that the same will occur at Citigroup, as the new institution is to be called.

The second rationale for merging is "cross-selling." If a bank with a huge

number of retail and commercial customers joins with one that has a cornucopia of products and services, the first bank has more to offer its account-holders and the second has a wider market for its goods. In this case, Citigroup can sell Travelers' range of insurance and investment products to Citibank account-holders, and not just in the United States, where Travelers is heavily concentrated, but at Citibank branches around the world.

The financial-services supermarket, as it is also known, seems a sensible concept, except that it has not produced appreciable sales gains in the past.

Bankers and analysts suspect it may not work this time around, either. That suspicion may explain the U-turn made by the share prices of Citicorp, Travelers and other American banks in the days following the announcement of that merger and those of BankAmerica Corp. with NationsBank Corp. and Banc One Corp. with First Chicago NBD Corp. made a few days later.

"I don't buy the logic of what these guys are telling us," Gary Hamel, professor of strategic management at London Business School, said of the Citigroup merger. Success is the result of "not bulk and breadth, but innovation," an asset seldom found in abundance in the banking industry.

"Citibank's dilemma is that banks for far too long looked at individuals as savers rather than investors," he remarked. "They could have offered far more variety in investment products 20 years ago, but they didn't."

Lack of variety is the key failing of the supermarket concept, in the opinion of Ian Orton, editor of the newsletter Private Banker International, in London.

"When you go into a real supermarket looking for a can of baked beans, you can buy the supermarket's own-label brand, but you also have a choice of maybe half a

dozen others," he said. "The price is marked on each can and you can read the ingredients on the label. In a financial services supermarket, you can't do that."

Not only are there ever more institutions — banks and others — offering services for the wealthy, but there is a tendency among those customers to be more peripatetic when it comes to their financial affairs.

"Increasingly, private banking clients are going to a number of sources for their financial needs," Mr. Orton said. "These characters are pretty well attuned: many of them think they know as much as their account managers." They are more likely than before to trade through discount stockbrokers, for instance, which offer no investment advice.

Mr. Hamel agreed, saying, "The financial-service industry has been consistently a little behind the curve and has a condescending attitude toward the customer."

S. Mr. Hamel thinks that conventional banks may win a few more battles, but that with the advent of companies such as Schwab that sell a vast range of third-party products on-line, they stand little chance of winning the war for customers.

"The next phase will not be consumer focused but consumer led," he predicted. "The hunter becomes the hunted." Rather than be passive receptacles for goods that retail banks want to peddle to them, consumers will seek out products and services that best fit their needs, no matter the source.

"The last thing I'll do is go to a Citibank web site to see what they're doing," Mr. Hamel said. "I'll go to a neutral site. Why would I ever let a single financial institution make that choice for me?"

He conceded that the on-line revolution had been almost exclusively an American phenomenon but that this was only "a timing issue. I would not be surprised if the majority of services were bought on-line within a decade in the U.S., within 20 years in Britain and 30 years in the rest of Europe."

That at least buys some time for Citicorp and Travelers. Their merger probably provides some temporary value for both of them," he said. "I'm not saying it's a stupid thing to do. But it's like watching dinosaurs mate. You're going to get a baby, but it's still going to be a dinosaur."

CONRAD DE AENLLE writes about finance and investment from London.

Treading gingerly in Asia

Continued from Page 19

to price-earnings ratios of five or six. Southeast Asian markets remained at averages of about 16 to 18. And while portfolio investments can often be plugged into formulas, judging the value of property poses a greater challenge.

Following the fall in share prices last year, foreign companies sent scouts to the region to look for deals. But few large acquisitions have been announced, in part, analysts say, because it is difficult to judge the value of a tangible investment given the market's volatility.

And if companies are having a hard time, private bankers say, their clients, with fewer resources at their disposal, will be equally hard-pressed to find bargains.

Much of what is for sale in Asia these days are investments that carry high risks. A building in Bangkok, for example, might

sell for a small fraction of its precrisis cost but might still be a risky proposition. "If you can buy it at a price which is so ridiculously cheap that in the worst-case scenario you can write it off — then maybe you buy it," said Henri Leimer, chief representative in the Hong Kong office of LGT Bank in Liechtenstein. "But what do you do with an empty building in Bangkok if you cannot rent it out?"

Many European and American investors are equally skeptical. "If you look at total liquidity flows into Asia recently, it's been dismal," said Mr. Kieser of Union Bancaire Privée. "You had a rally in January and February but that has evaporated. If you compare it with what you saw in 1993 and 1994, it's a small drop on a hot stone."

THOMAS FULLER is a special correspondent for the International Herald Tribune in Malaysia.

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WORLD ROUNDUP

Sacchi Joins Atletico

SOCCER Arrigo Sacchi has signed a two-year contract to coach Atletico Madrid, the club said Monday. The former AC Milan and Italian national coach succeeds Radomir Antic. He is Atletico's 21st coach in the 11-year reign of its president, Jesus Gil. (Reuters)

• Wim Jansen said Monday he was quitting as coach of Glasgow Celtic just days after guiding the club to its first Scottish League title in a decade. (AP)

Rusedski Falls in Rome

TENNIS Greg Rusedski, the No. 5 seed, lost 7-5, 7-6 (10-8), to Bohdan Ulihrach on Monday in the first round of the Italian Open.

Rusedski, a U.S. Open finalist last year, served for the first set at 5-3. He led 8-7 in the second-set tiebreaker, but lost the last three points of the match. That was his fourth straight first-round exit at this clay court event.

Petr Korda, the No. 2 seed, lost 6-2, 6-4, to Hicham Arazi, a Moroccan. Jonas Björman, seeded No. 7, lost 6-2, 6-3, to Frank Diewulf, a clay specialist. (AP)

Woods Holds Off Blake

GOLF Tiger Woods held off Jay Don Blake by a stroke to win the BellSouth Open in Duluth, Georgia, on Sunday, ending a 10-month winless drought on the PGA tour.

Woods, who led by three shots entering the final round after a 63 on Saturday, shot a par 72 for a 17-under 271 total. Blake finished with a 70. (AP)

Tiriac Wins Olympic Vote

Ion Tiriac, the former tennis player, was elected president of the Romanian Olympic Committee on Monday. Tiriac ran a slick campaign to beat a feuding champion and a gymnastics coach for the job. Tiriac became famous as the stern doubles partner to Ilie Nastase. He also played ice hockey for Romania. (AP)

Plane Unlucky

BASEBALL Gerardo Sanchez, the Mexican League's Cal Ripken, had his consecutive-games streak end at 1,415 on Friday when he couldn't get to the ballpark.

Sanchez and four teammates on Los Dos Laredos Owls reportedly chose to take an airplane Friday to travel to games in Laredo, Texas, and Nuevo Laredo, across the border in Mexico. The rest of the team went by bus. But the airport was closed due to problems caused by smoke from forest fires. (WP)

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Shaq's Show Gives Lakers 3-1 Margin Over Sonics

By Joe Drape
New York Times Service

INGLEWOOD, California — Shaquille O'Neal powered the Los Angeles Lakers to a 112-100 victory over the Seattle SuperSonics and a 3-games-to-1 lead in the Western Conference semifinals.

O'Neal's 39 points on 15-of-20 shooting, eight rebounds, seven assists and five blocked shots on Sunday night may silence the critics who have argued that he is more a multimedia entertainer than a future Hall of Fame center.

He silenced at least one: Seattle's coach, George Karl, who opened the series with a public salvo directed at O'Neal's penchant for elbows and hops on the way to monster dunks.

When asked why his star, Vin Baker, was held to only 12 points, Karl rubbed his face, paused for several moments and finally said, "He's playing probably the greatest post player who ever played the game."

O'Neal hit his first six shots in spectacular fashion. There was a spin off the baseline jumper. A ballet move under the basket that ended with a left-handed bank shot. And, most memorably, a fast break that O'Neal began on his own at half court.

He put the ball on the floor with his left hand, crossed over to his right, lifted the ball with one hand, double-pumped and kissed it off the glass. "Yes, that was a highlight," he said, appearing a bit embarrassed. "I was having so much fun out there."

The SuperSonics hardly stood and watched. Behind Gary Payton's 20 first-half points, Seattle withstood one Los Angeles run after another to take a 3-point lead with 15 seconds left in the half.



The Lakers' Shaquille O'Neal eyes Hersey Hawkins' shot for the Sonics.

The Lakers' coach, Del Harris, turned to his assistant coaches and said, "Well, we messed up the end of this quarter."

But in a series of miscues involving of Seattle's inability to clamp down on a scrapping young Lakers team, the Sonics made crucial errors that led to five Los Angeles points in the last six seconds.

Though O'Neal was clearly the star, his supporting cast chewed up the scenery too. Eddie Jones, whose mother had chastised him by cell phone for not being aggressive enough in the first round against Portland, gave her his finest playoff performance for Mother's Day. The guard scored 32 points along with six assists.

In the fourth quarter, the Sonics had cut the lead to nine points and were threatening when Nick Van Exel, who missed 13 games late in the season with a knee injury, nailed back-to-back 3-pointers to put the Lakers back ahead by 15 and snuff any comeback hopes for Seattle.

"He's hitting the big shots that killed us," Baker said of Van Exel, who finished with 13 points.

Still, it is O'Neal for whom Seattle professes to have no answers. Even with Baker, Detlef Schrempf and Payton sometimes triple-teaming him, O'Neal managed six dunks.

"Our evaluation will be, should we continue to double him and still give him 35 points, or not — and give him maybe 100 points and control the perimeter," said Karl, who needs to decide before Game 5 on Tuesday in Seattle.

"They have a great one, and we can't deal with him right now," said Payton, who finished with 31 points and 13 assists and kept Seattle in the game.

Vasco da Gama Wins, 2-0, After Botafogo Forfeits

Compiled by Our Staff From Dispatches

Vasco da Gama, which leads the Rio de Janeiro state championship, won Sunday without playing when Botafogo failed to turn up for a game at Maracana stadium.

Vasco and the match officials waited but Botafogo, which had announced it

Soccer Roundup

would not play the game, did not arrive. The Rio federation then awarded Vasco, which leads the eight-team tournament, a 2-0 victory.

Botafogo asserted that the schedule had been changed without its consent and that it should have been playing Friburgense. Flamengo and Fluminense, the two other major clubs in the eight-team tournament, said they would take Botafogo's side. Eurico Miranda, the Vasco da Gama director, said the three clubs wanted to kill the competition to stop its club from winning it.

Sao Paulo won the Sao Paulo state championship after the newly signed Rai, playing his only match in the competition, inspired them to a 3-1 victory over Corinthians in the second leg of the final. Rai returned to the club this week from Paris-St. Germain and was able to play after Sao Paulo directors discovered during the week that the tournament did not have a transfer deadline.

MEXICO Toluca conceded two goals in the first 90 seconds Sunday but fought back to beat Necaxa in the final of the Mexican summer championship. Necaxa won the first leg, 2-1, on Thursday and increased its lead to three goals with its two early strikes.

Antonio Taboada started fighting back with a goal in the third minute. Jose Abundis scored either side of half time and Jose Cardozo scored twice in the last 12 minutes to give Toluca victory, 5-2 in the match and 6-4 on aggregate.

BULGARIA Litex Lovech clinched its

first league title when it beat Botev Plovdiv, 3-0, in the last game. Levski Sofia, which finished second, five points behind Toluca, said it would appeal to FIFA, the governing body of world soccer, because Litex fielded a suspended player earlier in the season.

Litex had four points deducted by the

Bulls Refuse to Honor Hornets' Game Plan

Jordan Leads Chicago to 94-80 Victory

By Ric Bucher
Washington Post Service

CHARLOTTE, North Carolina — It's not enough to devise a plan to stop Michael Jordan, as the Charlotte Hornets did for game four of their playoff against the Chicago Bulls. It also takes the energy and will to implement it for a full 48 minutes, and that's where the Hornets came up woefully short.

Despite rigging their entire defense and offense expressly to keep Jordan corralled Sunday, the Hornets lost for the second time in three days on their

NBA Playoffs

home court as the Bulls headed home with a 94-80 victory and a three-games-to-one lead in their best-of-seven Eastern Conference semifinal series.

The Hornets assigned power forward Anthony Mason assigned to Jordan. Mason had some early success, but the Hornets wasted it with turnovers and poor rebounding that produced easy baskets for the rest of the Bulls.

Charlotte's other strategy, having the offense initiated by whichever guard didn't have Jordan on him, backfired because the rest of the Hornets handled the ball too sloppily, committing 15 turnovers.

"We thought we had a good game plan," said B.J. Armstrong, the Hornets guard. "We just didn't execute, which is the key."

Jordan, after struggling early, led all scorers with 31 points. The Hornets focused so much on stopping him that they forgot about the rest of the Bulls. That was especially evident in Chicago's pivotal 14-2 run in the third quarter, when missed jumpers by Jordan were converted into easy baskets by Ron Harper and Scottie Pippen because no one boxed them out.

After roaring to an 11-2 lead in the

opening minutes, the Hornets made one turnover after another, allowing Chicago to surge ahead by halftime, lead by 17 points in the third quarter and take a 17-point lead into the final period.

The Hornets did not get within single digits again.

"They came out with a lot of energy, but you expect them to because their backs were against the wall," Jordan said. "We just had to maintain our poise. Our defense really started to kick it up a notch in the third quarter. We seemed to have them out of sync. They didn't take care of the basketball and we took advantage."

No one lost the battle of wills more than the Hornets leading scorer, Glen Rice, who played all 48 minutes, scored only 13 points on 17 shots and did not go to the free throw line. Credit that to Pippen, who limited Rice to five second-half points.

"The second half I just tried to make him work hard for the ball," Pippen said. "I think it's my reach that bothers him. He can't pull up and shoot over me like he can against most guards."

Center Vlade Divac led the Hornets in scoring with 15, followed by Armstrong with 14 in a reserve role.

Charlotte was still within striking distance, trailing, 58-51, when the Bulls went on their third-quarter run, which included 12 points scored on a variety of dunks, layups and tip-ins. In what could have been his last NBA appearance in his native state, Jordan provided one more classic highlight during the burst: He palmed the ball and faked a pass that duped the entire Hornets defense before he slipped down the baseline for a lay-up.

"I never salivate, I just evaluate," said Jordan when asked about his reaction to the Hornets' concerted effort to slow him down. "Sure, it's a challenge, if all you guys think Mason can shut me down."

"We've got to win three games and it's unlikely we're going to do that," Dave Cowens, the Hornets' coach, said afterward.

"Nobody's going to quit," he said. But he added, "They certainly took the starch out of our sails winning two games in our building."

In another playoff game, The Associated Press reported:

Jazz 82, Spurs 73 In San Antonio, Karl Malone hit 17 shots from the field, scoring 34 points without going to the foul line as Utah took a 3-1 lead over the Spurs. Many of his field goals were tough jumpers scored while being guarded by 7-foot David Robinson.

"Boy, it's hard to defend jump shots like he shot. He's pulling up, 19 or 20 feet," Robinson said. "A lot of times I'm right on him, and he gets a half a step and leans back and shoots that thing."

Malone, who shot 6-for-21 Sunday in Utah's Game 3 loss, scored 10 of his points in the fourth quarter, answering with a basket almost every time the Spurs inched closer. He was 17-for-28 from the field.

Tim Duncan had a chance to foul the Spurs within three points after a foul by Antoine Carr, but he missed one of two free throws with 1:07 remaining, leaving the Spurs trailing, 77-73.

Malone followed up with a 14-foot jumper to give the Jazz a 79-73 lead.



Jose Cardoso of Toluca celebrating his second goal against Necaxa.

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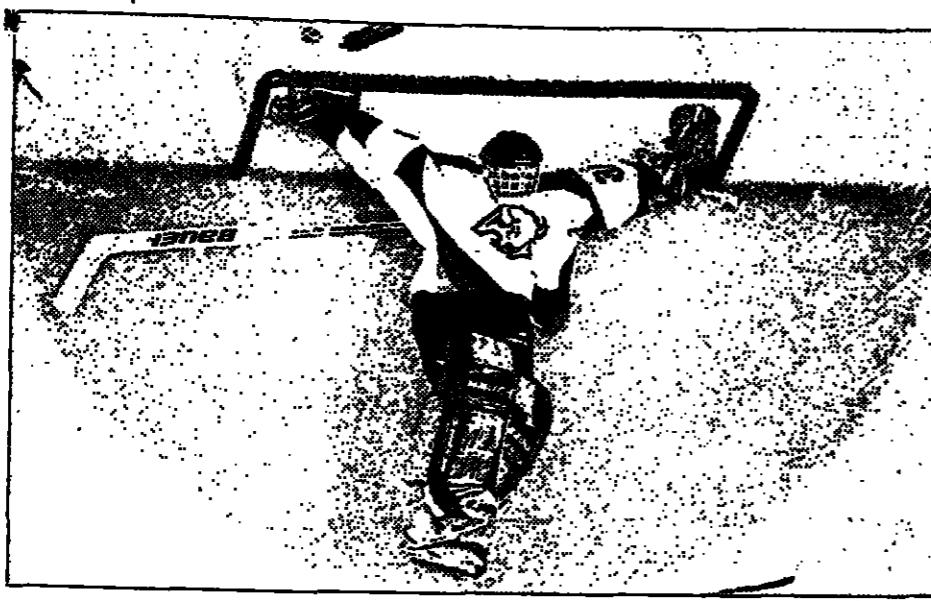
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Buffalo's Dominik Hasek sprawled after allowing a goal by Igor Ulanov.

SPORTS

Yanks and Red Sox on a Collision Course

New York Shuts Out Twins as Boston Downs Royals; Showdown at Fenway Looms

The Associated Press

At this rate, the New York Yankees will win 123 games and the Boston Red Sox will win 111. Then again, those projections might be a little low.

The two teams with the best records in the AL both won again Sunday, relying on

solo homers by Tino Martinez and Scott Brosius.

Eric Mihon, Minnesota's key acquisition in the off-season trade that sent second baseman Chuck Knoblauch from the Twins to the Yankees, gave up four runs and nine hits in five innings. Knoblauch went 2-for-4, drove in a run and scored one.

Red Sox 3, Royals 1 in Kansas City. Tim Wakefield held the Royals hitless for 6½ innings and Jason Varitek hit his first major league homer

as Boston won for the 20th time in 26 games and improved to 24-11.

Rangers 5, Indians 3 in Arlington, Texas. John Burkett retired the first 20 batters he faced, losing his bid for a perfect game with two outs in the seventh inning when Cleveland's Manny Ramirez grounded a double down the third-base line.

Mariners 3, Blue Jays 1. Ken Griffey hit his major league-leading 15th home run and Jeff Pascero, with relief from

Mike Timlin, pitched host

Seattle past Toronto.

White Sox 4, Athletics 3

White Sox 4, Athletics 3. Blake Stein made an impressive major league debut for Oakland, pitching seven strong innings against visiting Chicago. But A's shortstop Kurt Abbott made three errors in the seventh, leading to three unearned

runs, and the Athletics won 4-3.

The Orioles' third baseman, Cal Ripken, committed his first error of the season when he bounced a throw to first in the first inning. The mistake set up Boggs's homer.

Angels 4, Tigers 2. Ken Hill (6-1) got his fifth victory, to match Rick Helling of the Rangers and Oakland's Kenny Rogers for the league lead in victories.

Red Wings Clip the Blues, 6-1

The Associated Press

DETROIT — Chris Osgood was on top of his game and his teammates provided more than enough offense as the Red Wings breezed to a 6-1 victory over St. Louis.

Detroit outshot the Blues, 30-25, on Sunday, but most of the Blues' chances came on quality shots. That meant Osgood, a goal-tender who sat on the bench as Mike Vernon led Detroit to the Stanley Cup championship last year, had to be at his best.

Red Wings fans, who sometimes boo Osgood, were chanting his name this time.

The Red Wings handed the Blues their first loss in the playoffs this season and evened the best-of-seven Western Conference semifinal at one game apiece.

Martin Lapointe, Nicklas Lidstrom, Tomas Holmstrom, Yzerman, Larry Murphy and Kirk Maltby scored for the Red Wings. Terry Yake scored for the Blues, who had 16 goals in a first-round sweep of the Los Angeles Kings and beat Detroit 4-2 in the opener.

St. Louis played most of the third period without its captain, Chris Pronger, who collapsed after being struck hard in the chest by a

shot from Detroit's Dmitri Mironov. Pronger, whose heartbeat slowed for a few seconds, was carried on a stretcher to an ambulance.

Dr. William Birenbaum, the Blues' internist, said Pronger was taken to Henry Ford Hospital for observation and would be held overnight only as a precaution.

Birenbaum said Pronger could be ready to play in Game 3 in St. Louis on Wednesday.

The Blues played the Red Wings tough in a 1-1 first period. But the Red Wings, bidding to become the first team since 1992 to repeat as Stanley Cup champions, broke the game open with three goals in the second.

Sabres 6, Canadiens 3. At Buffalo, Matthew Barnaby scored three goals, the first hat trick of his career, as the Sabres beat Montreal.

Barnaby, who also had an assist, snapped a 3-3 tie late in the second period and broke the game open 13 seconds into the third.

The Sabres won their fifth straight playoff game going back to Game 3 against Philadelphia in the first round.

"Growing up, I would have been happy to just get one shift in the Stanley Cup playoffs," Barnaby said.

Mendoza's fielders helped him with four double plays and New York batters backed him with 16 hits, including

strong pitching for road victories.

In Minneapolis, Ramiro Mendoza led the Yankees

past Minnesota, 7-0.

"He was into it mentally,

especially the last three innings," said the Yankees' manager, Joe Torre, after

Mendoza — the team's No. 5

starter — pitched a five-hitter

for his first career shutout.

The Yankees won for the 23rd time in 26 games and finished a 7-1 road trip. They have not lost two in a row since the first week of the season and lead the majors with a 24-7 record.

The Yankees and the Red Sox will get their first look at each other soon enough. They are scheduled to meet in 10 days, starting May 22 at Fenway Park.

Mendoza (2-1), whose spot

in the rotation seemed in jeopardy recently with the success

Orlando Hernandez was having

in the minors, walked a ball and struck out two. "It feels great," he said. "Hopefully, I'm going to keep doing it."

Jeff Kent hit a two-run double in the Giants' three-run ninth.

Braves 8, Padres 5 in Atlanta, Javy Lopez, Andres Galarraga, Andrew Jones and Ryan Klesko all homered as the Braves tied a franchise record by hitting at least one homer for the 22nd

straight game. The National League record is 24 by the 1953 Brooklyn Dodgers, and the major league mark is 25 by the 1941 New York Yankees and the 1994 Detroit Tigers.

The Braves fought back from a 3-0

deficit. Lopez put Atlanta ahead, 6-5, in

the sixth with his homer.

Rangers 5, Expos 3. Dante Bichette

broke a 2-2 tie in the eighth with his

first major league hit.

Phillies 7, Diamondbacks 4. Scott

Rolen homered twice, going 3-for-3

with three runs batted in. Philadelphia won its fourth straight while Arizona lost its fifth straight, dropping to 4-20 on the road.

The first seven Philadelphia batters

reached base against Jeff Suppan (0-4),

and the first five scored. Suppan was

tagged for six runs and seven hits in 1½

innings as his earned-run average rose

to 7.53.

Reds 4, Pirates 3. Pittsburgh's Al Mar-

tin couldn't score from third on a single in the ninth and visiting Cincinnati won the game on Reggie Sanders's run-scoring single in the 12th.

Pittsburgh seemingly won it on Kevin Young's single off Jeff Shaw but Martin was thrown out at the plate by Cincinnati's right fielder, Jon Nunnally.

Astros 7, Brewers 4. Jose Lima (6-1)

scattered eight hits in seven innings at County Stadium and sparked a five-run

run with his first major league hit.

After Lima got an infield single in the fifth, Craig Biggio was hit by a pitch and Derek Bell doubled for a 4-0 lead.

Sean Berry's run-scoring double chased pitcher Steve Woodard, who gave up all seven runs and nine hits in 4½ innings.

In a game reported in late editions

Monday:

Dodgers 4, Marlins 2. Raul Mondesi

homered and saved three runs with his

glove as Los Angeles won in Miami.

Mondesi robbed the Marlins in the second when he dashed to the warning track in right field and made a running, backhanded grab of a bases-loaded fly by Florida's pitcher, Brian Meadows.

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ART BUCHWALD

Sweet Road Rage

WASHINGTON — There's a lot of talk about road rage — not as much as there is about sex — but still, for the first time, people are concerned about aggressive drivers who cause accidents on the highways of our great nation. We all have seen aggressive driving, either by members of our own families or automobiles in the next lane. It isn't a Buchwald pretty sight and women can cause high blood pressure and excessive perspiration on the palms of our hands. What is not discussed publicly is what the major cause of road rage is: radio talk shows that people listen to in their cars.



Talk show hosts are paid to inflame and irritate their listeners. They thrive on controversy. They have to get their audience involved. I was made aware of this

Nazi Book Burning Is Marked in Berlin

The Associated Press

BERLIN — The author Salman Rushdie emerged from seclusion as an honored guest to help commemorate the day the Nazis burned thousands of books in their assault on intellectual freedom.

The Berlin Arts Academy took note of the Nazi book burning of May 10, 1933, and honored persecuted authors throughout the world.

Rushdie, condemned to death by Tehran in 1988, was joined by authors from Algeria, Iran and Kurdistan.

when I was driving to work with Laura Sedwick. She was tuned to Mad Dog. "I'll Take Anybody's Call," Hogan. Mad Dog was discussing Viagra, the new potency drug.

"This is a boon to mankind. No woman can refuse a man who is taking it."

"Laura," I said, "you just went through a red light."

"Did you hear what he said? What makes him think we should give in just because he is no longer sexually dysfunctional?"

Mad Dog said, "I'm sick and tired of sexual harassment suits. Most women are always asking for it."

"Laura, you're driving on the sidewalk."

Mad Dog said, "If they didn't wear bikinis on the beach, men wouldn't need Viagra pills or, for that matter, pills that prevent them from going bald."

Laura's face was red, and she gritted her teeth in anger.

"Are you sure you want to hit that old lady in the crosswalk?" I asked her.

"I'd like to take Mad Dog's microphone and shove it down his throat."

Mad Dog took a call. The lady said, "You're a big slob and I hope you get poison ivy all over your body."

Mad Dog chorused and replied, "And you're a dumb female who should be working instead of sitting home manicuring your nails."

"Laura, I think you're going to hit that gasoline truck."

"Why do they clutter the airways with imbeciles like that?"

"The real question is why do you listen to him if he gets you so upset?"

"He helps me pass the time on the way to the office."

Lillian Ross's Secret Life With William Shawn

By Jammy Scott
New York Times Service

NEW YORK — At the end of 1997, Lillian Ross's memoir of her 40 years as the other "wife" of William Shawn, the longtime editor of *The New Yorker*, she tells how she learned of his death in December 1992.

She dialed the number of the private telephone he had installed for her beside his bed in the apartment he shared with his wife.

Shawn's wife, Cecile, answered the telephone for the only time in what Ross describes as her long life together with Shawn, a life that included their setting up house 10 blocks south of the Shaws' apartment on the Upper East Side of Manhattan and jointly raising Ross's adopted son, Erik.

"He's gone," Mrs. Shawn had said. Ross writes that she and Erik then rushed to the Shaws' apartment, where they were met by the Shaws' son, Wallace, who seemed afraid to admit them. "Let them in," Mrs. Shawn said. Ross embraced her. And Mrs. Shawn said, "He died in my arms."

Ross's memoir, "Here but Not Here: A Love Story" (Random House), due in stores this month and awaited with considerable curiosity, describes in significant if selective detail a part of Shawn's private life that had remained discreetly guarded.

In an interview this week, Ross said she never had any qualms about writing the book, which took her four years. She said she had done it simply "because it's my life," and because Shawn "was fed up with having been pictured as a character he wasn't."

As Ross tells it in the book, she and Shawn fell in love after he had hired her in 1945 as a writer for *The New Yorker*. He was about 20 years her senior. By the mid-50s, they had settled into a domestic routine that she contends was more solid, more purposeful, more satisfying and more socially responsible than most "conventional arrangements."

For many years, Shawn would

spend Thanksgiving with his family and Christmas Eve with Ross. Every New Year's Eve, if they were apart, he would call her at midnight. Ross writes. During one period, they ate every meal together; he would drop her at home after dinner, then return in time for the 11 o'clock news.

In the '60s, they considered conceiving a child, Ross says. But she had a hysterectomy and ended up traveling to Norway to adopt Erik alone. Shawn used to read to Erik, play the piano for him, teach him to catch a baseball, even attend his parent-teacher conferences.

The relationship was not kept secret from Mrs. Shawn, Ross says. But Mrs. Shawn declined to leave her husband, and he would not divorce her. The Shaws' children were expected not to discuss the relationship with either parent "in accord with Cecile's wishes," Ross writes. They were told that their father's absences were necessitated by his work. "Bill told me I was his 'wife,'" Ross writes. "I felt it was."

Asked in the interview whether she had thought about the book's impact upon Mrs. Shawn, now in her 90s, Ross spoke slowly, as though taking pains to make herself understood: "That isn't the way one thinks when one is a writer. You don't think about what the impact is going to be on other people. You think about what you're writing."

So, she was asked, she was saying she never thought about it?

"It wasn't a question," she said. "I didn't come up."

Neither of Shawn's sons, Wallace and Allen, returned telephone calls from a reporter asking if they wished to comment on the book.

In the book, Ross describes Shawn, who was editor of *The New Yorker* from 1951 to 1987, in terms that are positively sainly: He is selfless, honest, forgiving, meek "in the biblical sense." He tips taxi drivers twice the fare, turns down honorary degrees, never reproaches his children.

Their "liaison," as she called it in the interview, is described in idealized terms. In 40 years together, she writes, they had just two



Photo: Ken Light/The New York Times

Ross has written about the relationship "because it's my life."

shy little man obsessed with privacy" who ate nothing but corn flakes. She offers lists of foods he liked and women he was attracted to, from Hannah Arendt to Evonne Goolagong and Madonna. At the same time, he comes off as a man who was deeply tormented. He feared everything from his own death to paper cuts. He was haunted by guilt. Claustrophobia kept him from visiting his sons' apartments (but, Ross notes, he had no problem with the ones he shared with her).

Their "liaison," as she called it in the interview, is described in idealized terms. In 40 years together, she writes, they had just two

absences, no holes, no misshapenness, no unanswered needs." No husband or father she has ever known gave more than Shawn gave to her and Erik, she writes.

"After 40 years, our lovemaking had the same passion, the same energies (alarming to me, at first, in our early weeks together), the same tenderness, the same inventiveness; the same humor, the same textures as it had in the beginning," Ross writes.

She does make it clear that she deferred to Shawn. He decorated their apartments and taught her taste and judgment about clothes.

"Bill disliked the odor of cigarettes," she writes. "I immediately gave up smoking. He was afraid of drinking. I gave up martinis." Early on, she says, she fled the relationship in confusion, first to Hollywood for a year and a half.

Ross insists she felt no rage toward him or Mrs. Shawn; she has never had a single regret. She felt "no deprivation, no frustration, no

longer to Paris. Each time, he pursued her relentlessly with letters, cables and telephone calls, serving up advice, begging her to come home.

In 1953, while she was in Paris, he suggested she look up his old haunts from a trip he had taken there in 1929 with Cecile. So Ross dutifully "marched around the Left Bank, finding and taking photographs of every place he asked me to visit." Then she sent him the photographs.

Other episodes seem to slip by, relatively unexplored. For example, Ross mentions in passing in the book that relatives and others tried to intervene with her and Shawn, but she offers no details. She alludes to "a string of psychoanalysts" that was "enlisted in pursuit of Bill," but does not say who enlisted them or to what effect.

She writes that early in the relationship she would occasionally "explode" and "ask him to leave me alone." But she offers little elaboration. Yet the book includes all sorts of other details, like the price of a ticket on the Concorde and everything she ate one day at lunch at "21."

Asked in the interview why she had chosen not to elaborate on, for example, the story about the psychoanalysts, she said sharply: "There weren't any details to give. What are you going to tell?" Asked how she decided in general what to leave out, she said, "You write out of your passion and out of your being and out of your soul."

The author of 11 books, Ross grew up in Syracuse and New York City and worked briefly for the newspaper P.M. before moving to The New Yorker. There, she became one of the better known practitioners of a style of fly-on-the-wall reporting in which the writer never directly impinges motivation.

"I don't intellectualize too much," she said, when asked about the motivations of the characters in her memoir. "I'm not particularly comfortable with it. You feel what you feel, and you go on what you feel. And you're guided by your own instincts, your own principles."

PEOPLE

15 years, saying he was "selling out." The two ADM ads broadcast Sunday had been modified "to make David's role with them as a company spokesman very clear," ABC said.

The latest album from Madonna may be heavy on spirituality but Indian purists are not happy with her handling of an ancient Sanskrit prayer. Scholars in the holy Hindu town of Benares told the United News of India that the pop diva had mispronounced the prayer "Shanti" in a song on the album "Ray of Light." A professor of Sanskrit, B.N. Chaturvedi, said: "It is one thing to make a mistake in ordinary conversation but another to chant it incorrectly." Scholars say shanti should be pronounced with a clipped "e" sound instead of a long "e" sound.

Linda McCartney has been posthumously awarded the Ellis Island Medal of Honor. The wife of Paul McCartney and a longtime crusader for vegetarianism, McCartney died of cancer last month at 56. She was one of 120 people honored at the ceremony on Ellis Island, where immigrants were processed before entering New York City. Others cited at the 12th annual awards ceremony included Dith Pran, whose story was told in "The Killing Fields," and the gold-medal-winning U.S. Olympic women's hockey team. The awards are given by the National Ethnic Coalition of Organizations to honor a variety of efforts to "enrich or invigorate society."

Allegations of Cousteau Fakes

Complete in Our Staff From Dept. A

LONDON — Members of Jacques Cousteau's underwater film team say the late oceanographer faked some scenes in his documentaries, *The Sunday Times* reported.

In one case, footage of an octopus scrambling out of a tank and hopping overboard was obtained by pouring bleach in the tank, the paper said.

Sir Peter Blake, who became head of the Cousteau Society after Cousteau's death last year, said that he did not know much about the allegations, but that he had seen the team work and that it could not be faulted for professionalism.

(AP, AFP)

The author Robert Fulghum, whose best-selling book include "All I Really Need to Know I Learned in Kindergarten," began his address to graduates of Syracuse University by singing the children's song "Ivy-Bitsy Spider." He said the song's metaphors teach children the same lessons the 5,000 new graduates should apply to their lives — the possibilities of thousands of years, not to play but to go into dangerous places, to find out what's out there, up there," he said.

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